AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

CALIFORNIA'S HIGH-SPEED RAIL PLAN: SKYROCKETING COSTS AND PROJECT CONCERNS

(112–69)

HEARING

BEFORE THE

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

DECEMBER 15, 2011

Printed for the use of the
Committee on Transportation and Infrastructure

CALIFORNIA'S HIGH-SPEED RAIL PLAN: SKYROCKETING COSTS AND PROJECT CONCERNS

CALIFORNIA'S HIGH-SPEED RAIL PLAN: SKYROCKETING COSTS AND PROJECT CONCERNS

(112–69)

HEARING

BEFORE THE

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

DECEMBER 15, 2011

Printed for the use of the
Committee on Transportation and Infrastructure

Available online at: http://www.gpo.gov/fdsys/browse/
committee.action?chamber=house&committee=transportation

U.S. GOVERNMENT PRINTING OFFICE
71–740 PDF WASHINGTON : 2012

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

JOHN L. MICA, Florida, *Chairman*

DON YOUNG, Alaska
THOMAS E. PETRI, Wisconsin
HOWARD COBLE, North Carolina
JOHN J. DUNCAN, Jr., Tennessee
FRANK A. LoBIONDO, New Jersey
GARY G. MILLER, California
TIMOTHY V. JOHNSON, Illinois
SAM GRAVES, Missouri
BILL SHUSTER, Pennsylvania
SHELLEY MOORE CAPITO, West Virginia
JEAN SCHMIDT, Ohio
CANDICE S. MILLER, Michigan
DUNCAN HUNTER, California
ANDY HARRIS, Maryland
ERIC A. “RICK” CRAWFORD, Arkansas
JAIME HERRERA BEUTLER, Washington
FRANK C. GUINTA, New Hampshire
RANDY HULTGREN, Illinois
LOU BARLETTA, Pennsylvania
CHIP CRAVAACK, Minnesota
BLAKE FARENTHOLD, Texas
LARRY BUCSHON, Indiana
BILLY LONG, Missouri
BOB GIBBS, Ohio
PATRICK MEEHAN, Pennsylvania
RICHARD L. HANNA, New York
JEFFREY M. LANDRY, Louisiana
STEVE SOUTHERLAND II, Florida
JEFF DENHAM, California
JAMES LANKFORD, Oklahoma
REID J. RIBBLE, Wisconsin
CHARLES J. “CHUCK” FLEISCHMANN, Tennessee

NICK J. RAHALL II, West Virginia
PETER A. DeFAZIO, Oregon
JERRY F. COSTELLO, Illinois
ELEANOR HOLMES NORTON, District of Columbia
JERROLD NADLER, New York
CORRINE BROWN, Florida
BOB FILNER, California
EDDIE BERNICE JOHNSON, Texas
ELIJAH E. CUMMINGS, Maryland
LEONARD L. BOSWELL, Iowa
TIM HOLDEN, Pennsylvania
RICK LARSEN, Washington
MICHAEL E. CAPUANO, Massachusetts
TIMOTHY H. BISHOP, New York
MICHAEL H. MICHAUD, Maine
RUSS CARNAHAN, Missouri
GRACE F. NAPOLITANO, California
DANIEL LIPINSKI, Illinois
MAZIE K. HIRONO, Hawaii
JASON ALTMIRE, Pennsylvania
TIMOTHY J. WALZ, Minnesota
HEATH SHULER, North Carolina
STEVE COHEN, Tennessee
LAURA RICHARDSON, California
ALBIO SIRES, New Jersey
DONNA F. EDWARDS, Maryland

CONTENTS

Page

Summary of Subject Matter vi

TESTIMONY

Panel One

Hon. Dennis A. Cardoza, a Representative in Congress from California's 18th District 45
Hon. Devin Nunes, a Representative in Congress from California's 21st District 45
Hon. Jim Costa, a Representative in Congress from California's 20th District . 45
Hon. Kevin McCarthy, a Representative in Congress from California's 22nd District, and Majority Whip 45
Hon. Loretta Sanchez, a Representative in Congress from California's 47th District 45
Hon. Dana Rohrabacher, a Representative in Congress from California's 46th District 45

Panel Two

Joseph C. Szabo, Administrator, Federal Railroad Administration 67
Roelof Van Ark, Chief Executive Officer, California High-Speed Rail Authority 67
Hon. Jerry Amante, Mayor of Tustin, California, and Member, Board of Directors, Orange County Transportation Authority 67
Hon. Ashley Swearengin, Mayor of Fresno, California 67
Gregory R. Gatzka, Director, Kings County Community Development Agency . 67
Elizabeth Goldstein Alexis, Co-Founder, Californians Advocating Responsible Rail Design 67
Kole Upton, Vice President, Preserve Our Heritage 67

PREPARED STATEMENTS SUBMITTED BY MEMBERS OF CONGRESS

Hon. Joe Baca, of California 111
Hon. Russ Carnahan, of Missouri 113
Hon. Anna G. Eshoo, of California 117
Hon. Barbara Lee, of California 118
Hon. Zoe Lofgren, of California 120
Hon. Laura Richardson, of California 121
Hon. Adam B. Schiff, of California 126

PREPARED STATEMENTS SUBMITTED BY WITNESSES

Hon. Dennis A. Cardoza 127
Hon. Devin Nunes[1] ....
Hon. Jim Costa[1] ....
Hon. Kevin McCarthy[1] ....
Hon. Loretta Sanchez 132
Hon. Dana Rohrabacher[1] ....
Joseph C. Szabo 136
Roelof Van Ark 233
Hon. Jerry Amante 249
Hon. Ashley Swearengin 255
Gregory R. Gatzka 258
Elizabeth Goldstein Alexis 270
Kole Upton, Vice President 278

Page

SUBMISSIONS FOR THE RECORD

Hon Gary C. Miller, a Representative in Congress from the State of California, request to submit the following letters with questions to the California High-Speed Rail Authority about the California high-speed rail plan:
  Letter to Michael Rossi, Board Member, California High-Speed Rail Authority, from the following members of the California State Legislature: Assemblywoman Diane Harkey, Assemblyman David Valadao, Assemblyman Brian Jones, Senator Doug LaMalfa, Senator Bob Huff, and Senator Bob Dutton, December 8, 2011 5
  Letter to Bonnie Lowenthal, Chair, and Kevin Jeffries, Vice-Chair, California Assembly Transportation Committee, from Assemblywoman Diane L. Harkey, 73rd District, November 29, 2011 12
Hon. Laura Richardson, a Representative in Congress from the State of California, request to submit the following letters:
  Letter to Hon. John L. Mica, a Representative in Congress from the State of Florida, and Chair, Committee on Transportation and Infrastructure, from the US High Speed Rail Association, December 15, 2011 27
  Letter to Ray LaHood, Secretary, U.S. Department of Transportation, and Joseph C. Szabo, Administrator, Federal Railroad Administration, from 94 members of the California State Legislature, October 19, 2009 29
Hon Devin Nunes, a Representative in Congress from the State of California, request to submit the following:
  "Review of 'Bay Area/California High-Speed Rail Ridership and Revenue Forecasting Study,'" Research Report UCB–ITS–RR–2010–1, by David Brownstone, Professor of Economics, UC Irvine; Mark Hansen, Professor of Civil and Environmental Engineering, UC Berkeley; and Samar Madanat, Professor of Civil and Environmental Engineering, UC Berkeley; Institute of Transportation Studies, University of California, Berkeley, June 2010 293
  "High-Speed Rail Authority: It Risks Delays or an Incomplete System Because of Inadequate Planning, Weak Oversight, and Lax Contract Management," Report 2009–106, by the California State Auditor, April 2010 352
  "High-Speed Rail is at a Critical Juncture," by the Legislative Analyst's Office, May 10, 2011 404
  Marc Scribner, Land-use and Transportation Policy Analyst, Center for Economic Freedom, Competitive Enterprise Institute, Freedom of Information Act Request to: (a) Office of the Secretary of Transportation, Department of Transportation, June 21, 2011, and (b) Federal Railroad Administration, Department of Transportation, June 21, 2011 432
Hon. Jeff Denham, a Representative in Congress from the State of California, request to submit letter to Members of Congress opposing funding for California high-speed rail, from State Senator Doug LaMalfa, Fourth District, and attachments: "Editorial: The Train to Neverland," Wall Street Journal, November 12, 2011; and "California High Speed Rail: The Facts" ... 63

Page

Hon. Ashley Swearengin, Mayor of Fresno, California, request to submit the following:
  - Letters in support of California high-speed rail to Hon. John L. Mica, a Representative in Congress from the State of Florida, and Chair, Committee on Transportation and Infrastructure, and Hon. Nick J. Rahall II, a Representative in Congress from the State of West Virginia, and Ranking Member, Committee on Transportation and Infrastructure, from the following: Al Smith, President and CEO, Greater Fresno Area Chamber of Commerce; John Hernandez, Executive Director, Central California Hispanic Chamber of Commerce; Dora Westerlund, CEO, Fresno Area Hispanic Chamber of Commerce; Tate Hill, President, Fresno Metro Black Chamber of Commerce; Steve Geil, President/CEO, Economic Development Corporation; Amarpreet Dhaliwal, Chairman, Fresno Council of Governments and Mayor, city of San Joaquin (all aforementioned letters dated December 13, 2011); Ronald E. Brummett, Executive Director, Kern Council of Governments, December 14, 2011; Amy Shuklian, Mayor, city of Visalia, December 12, 2011 440
  - "Case for High-Speed Rail Grows Only Stronger," by Edwin Lee, mayor of San Francisco; Kevin Johnson, mayor of Sacramento; Chuck Reed, mayor of San Jose; and Ashley Swearengin, mayor of Fresno, U.S. Mayor Newspaper, reprinted from Sacramento Bee, June 7, 2011 449
  - "Now is the Ideal Time to Make High-Speed Rail Work," FresnoBee.com, December 13, 2011 451

Joseph C. Szabo, Administrator, Federal Railroad Administration, responses to questions from the Committee on Transportation and Infrastructure[2] 147

Roelof Van Ark, Chief Executive Officer, California High-Speed Rail Authority, responses to questions from the Committee on Transportation and Infrastructure 243

ADDITIONS TO THE RECORD

Hon. Russ Carnahan, a Representative in Congress from the State of Missouri, request to submit written statement entitled, "Japanese Corporate Use of U.S. POWs as Slave Labor," from Joseph A. Vater, Jr., President, Descendants Group, an Auxiliary of the American Defenders of Bataan and Corregidor, Inc. 114

Aaron Fukuda, Co-Chairman, Citizens for California High Speed Rail Accountability, letter regarding Central Valley concerns/opposition to California high-speed rail, to Hon. John L. Mica, a Representative in Congress from the State of Florida, and Chair, Committee on Transportation and Infrastructure, December 8, 2011 452

James T. Callahan, General President-Elect, International Union of Operating Engineers, letter to Hon. John L. Mica, a Representative in Congress from the State of Florida, and Chair, Committee on Transportation and Infrastructure, and Hon. Nick J. Rahall II, a Representative in Congress from the State of West Virginia, and Ranking Member, Committee on Transportation and Infrastructure, December 20, 2011 456

---

[1] Reps. Nunes, Costa, McCarthy, and Rohrabacher did not submit written statements.

[2] On page 150, Mr. Szabo indicates that the response to question 7 was submitted on January 23, 2012. The response that he is referring to is the response to question 1 on page 206.

U.S. House of Representatives
Committee on Transportation and Infrastructure

John L. Mica
Chairman

Washington, DC 20515

Nick J. Rahall, II
Ranking Member

James W. Coon II, Chief of Staff

James H. Zoia, Democrat Chief of Staff

December 9, 2011

SUMMARY OF SUBJECT MATTER

To: **Members of the Committee on Transportation and Infrastructure**

From: **Majority Staff on the Subcommittee on Railroads, Pipelines, and Hazardous Materials**

Subject: **Hearing on "California's High-Speed Rail Plan: Skyrocketing Costs & Project Concerns"**

I. Purpose of Hearing

On Thursday, December 15, 2011, at 10:00 a.m. in 2167 Rayburn House Office Building, the Committee on Transportation and Infrastructure will receive testimony regarding the California High-Speed Rail Project. While the 800-mile statewide project, from Sacramento and San Francisco to San Diego, was originally estimated to cost $43 billion in 2008, that total cost estimate has more than doubled to $98.5 billion and the project completion date has extended 13 years, with the completion date pushed back from 2020 to 2033. This oversight hearing will provide Committee members the opportunity to learn about where the project stands and what concerns have been raised to this point.

II. Identification of the Entities Involved

Federal Railroad Administration (FRA) -- The Federal Railroad Administration was created by the Department of Transportation Act of 1966. The FRA is charged with managing the High-Speed Intercity Passenger Rail Program, including acting as the lead federal agency for environmental reviews under the National Environmental Policy Act (NEPA).

California High-Speed Rail Authority (CHSRA) -- The California High Speed Rail Authority is a California state agency established pursuant to the California High-Speed Rail Act (S.B. 1420, Chapter 796 of the California Statutes of 1996) to develop and implement high-speed intercity rail service, such as the California High-Speed Rail project. The CHSRA has a nine-member policy board, with five members appointed by the Governor, two appointed by the Senate Rules Committee, and two appointed by the Speaker of the Assembly.

California's Legislative Analyst's Office (LAO) -- The California Legislative Analyst's Office serves as the self proclaimed "eyes and ears" for the California legislature to ensure the executive branch is implementing legislative policy in a cost effective and effective manger (similar to the U.S. Government Accountability Office). The office carries out this legislative oversight function by reviewing and analyzing the operations and finances of state government, including in this instance the CHSRA. The LAO is overseen by the Joint Legislative Budget Committee (JLBC), a 16-member bipartisan committee.

California High-Speed Rail Peer Review Group (Peer Review Group) -- The California High-Speed Rail Peer Review Group was established by California Law AB 3034. The Peer Review Group's duty is to evaluate the CHSRA's funding plans and prepare its independent judgment as to the feasibility and the reasonableness of those plans, appropriateness of assumptions, analyses and estimates, and any observations or evaluations it deems necessary.

Californians Advocating Responsible Rail Design (CARRD) -- Californians Advocating Responsible Rail Design is a citizens' grassroots network that initially formed in response to community concerns about the California High-Speed Rail Project and presents themselves as "volunteers who want to help keep the public informed on this transportation mega-project."

III. History of the California High-Speed Rail Project

In General

In 1996, the CHSRA was created as an independent state entity charged with designing a high-speed train system for the state. CHSRA first introduced a plan in 2000 for a system that would link all of California's major population centers, including the San Francisco Bay Area, Los Angeles, Sacramento, the Inland Empire, Orange County, and San Diego. The Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century, AB 3034, was presented to the legislature in September of 2002 and provided for the issuance of $9.95 billion in general obligation bonds for passenger rail in the State. The bond measure was removed from the ballot twice, first in 2004 and again in 2006, but finally went to the voters on November 4, 2008.[1] California voters approved Proposition 1A with 52.7 percent of the vote.

Proposition 1A

Finances: Proposition1A authorized the state to sell $9.95 billion in general obligation bonds to fund: (1) pre-construction activities and construction of a high-speed passenger train system in California ($9 billion), and (2) capital improvements to passenger rail systems that expand capacity, improve safety, or enable train riders to connect to the high-speed train system ($950 million). The bond funds would be available when appropriated by the Legislature. However, the bond funds can only be used for one-half of the total cost of construction of each corridor or

---

[1] Under California law, any bill that calls for the issuance of general obligation bonds must be adopted by each house of the State Legislature by a two-thirds vote, signed by the Governor, and approved by a majority of voters.

segment of a corridor. Proposition 1A requires CHSRA to seek private and other public funds to cover the remaining costs and also limits the amount of bond funds that can be used to fund certain pre-construction and administrative activities.

These general obligation bonds are backed by the state, meaning that California is required to pay the principal and interest on the bonds out of the State's General Fund. At the time in 2008, it was estimated that the cost to the General Fund would be $647 million per year.

The Project: The bond funds for the high-speed rail project were authorized to develop and construct the system connecting San Francisco Transbay Terminal to Los Angeles Union Station and Anaheim, and link the state's population centers, including Sacramento, the San Francisco Bay Area, the Central Valley, Los Angeles, the Inland Empire, Orange County, and San Diego.

Proposition 1A defined Phase I as the corridor between San Francisco Transbay Terminal and Los Angeles Union Station and Anaheim. Phase II would include the extension of the high-speed rail line to Sacramento in the north and San Diego in the south, via the Inland Empire. Specifically, the bond funds are only allowed to be used on 7 corridors:

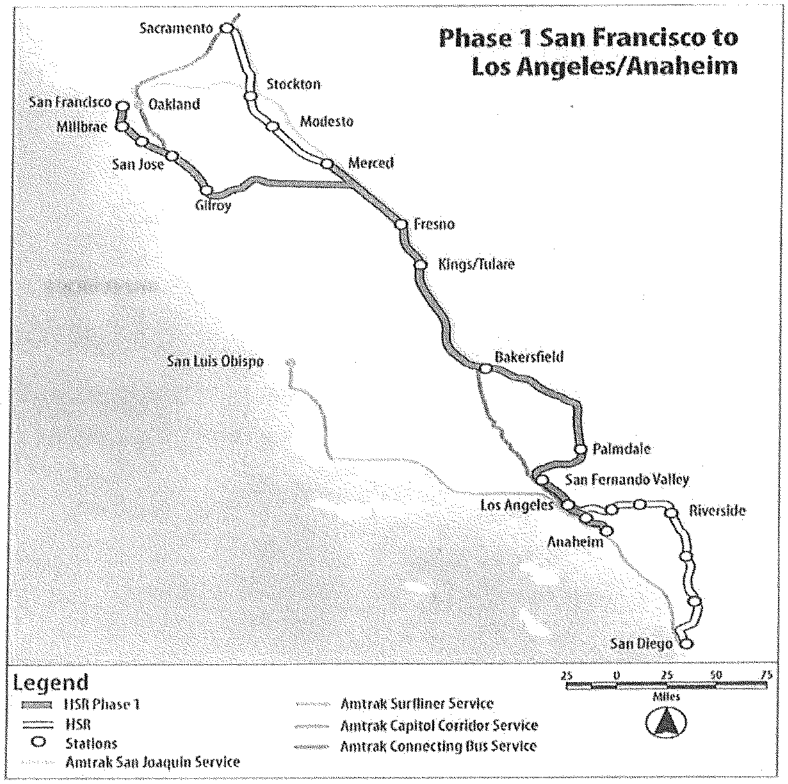
- Sacramento to Stockton to Fresno;
- San Francisco Transbay Terminal to San Jose to Fresno;
- Oakland to San Jose;
- Fresno to Bakersfield to Palmdale to Los Angeles Union Station;
- Los Angeles Union Station to Riverside to San Diego;
- Los Angeles Union Station to Anaheim to Irvine; and
- Merced to Stockton to Oakland and San Francisco via the Altamont Corridor.

Proposition 1A also established performance goals for the project, including that the project be an electric train capable of sustained maximum speeds of no less than 200 mph; it be able to achieve operating headway (time between successive trains) of 5 minutes or less; there be no more than 24 stations; there be no requirement to change trains to travel between stations on each corridor; and that stations be located with good access to local mass transit or other modes. Proposition 1A also established travel times on corridors not to exceed the following:

- San Francisco-Los Angeles Union Station: two hours, 40 minutes.
- Oakland-Los Angeles Union Station: two hours, 40 minutes.
- San Francisco-San Jose: 30 minutes.
- San Jose-Los Angeles: two hours, 10 minutes.
- San Diego-Los Angeles: one hour, 20 minutes.
- Inland Empire-Los Angeles: 30 minutes.
- Sacramento-Los Angeles: two hours, 20 minutes.

The following is a map of the project from the CHSRA's 2012 Draft Business Plan:

Exhibit 2-5. Phase 1 System—San Francisco to Los Angeles/Anaheim



This "one-seat ride" allows a passenger to ride high-speed rail all the way from San Francisco to Los Angeles and on to Anaheim.

Accountability and Oversight Process: Proposition 1A also required accountability and oversight of the authority's use of bond funds authorized for the project. In general, the bond funds must be appropriated by the Legislature and approved by the Governor. Proposition 1A established the Peer Review Group with members that are experts on high-speed rail, financial services, and environmental planning.

Ninety days prior to requesting appropriation from the bond funds, CHSRA is required to submit to the Director of Finance, the Peer Review Group, the requisite legislative committees a detailed funding plan for a corridor, or a "usable segment" thereof, on which the funds are to be spent. After receiving these reports the Peer Review Group has 60 days to review and issue an analysis of the appropriateness and accuracy of the CHSRA's assumptions underlying its planning, engineering, and financing plan and its viability for a project in a corridor for which it is seeking bond funds. The Legislature and Governor must then approve appropriation of the bond funds for expenditure on the project. Furthermore, once funds are appropriated, Proposition 1A requires an updated funding plan be submitted and approved by the Director of Finance before the authority can spend the bond funds.[2]

High Speed Intercity Passenger Rail Funding

The California High-Speed Rail project is the single largest beneficiary of federal funding from the High-Speed Intercity Passenger Rail (HSIPR) grant program under the American Recovery and Reinvestment Act (P.L. 111-5) and the fiscal year 2010 Consolidated Appropriations Act (P.L. 111-117). In total, the project has been awarded $3.896 billion ($2.952 billion from the Recovery Act, and $945 million from the FY 2010 Appropriations bill). This represents almost 39 percent of the total HSIPR grant funding awarded by the FRA.

Most of the funding provided for the project will be utilized in California's Central Valley, on the Bakersfield-Fresno-Merced sections of the Phase 1 project, with the exception of $400 million for construction of the underground train box at the Transbay Terminal in San Francisco, the north end terminus of Phase 1. However, the 50-mile San Jose to San Francisco segment of the project is still in a very early stage of development, analyzing different alternative routes and whether the system will run at grade, on a viaduct, or in a trench or tunnel. Therefore, the train box will not be utilized when the Transbay Terminal opens in 2018.

All of the $3.896 billion awarded to the California High-Speed Rail has been obligated and is under contract. However, only $142 million has actually been spent, $47 million for environmental studies and preliminary engineering work and $95 million for Transbay Terminal train box design and construction. All federal funds provided through the Recovery Act must be completely spent by September 30, 2017, under the federal appropriations law "five-year rule" (31 U.S.C. §1552).

Summary of Prior CHSRA Business Plans

Over the history of the project CHSRA has issued several business plans for the project, which have outlined to varying degrees, the details of the project and its estimated costs. A number of these plans have been reviewed by the LAO, which submits its recommendations to the State Legislature. The following outlines the highlights of those plans and the LAO's reviews.

CHSRA's 2000 Business Plan: CHSRA produced its 2000 Business Plan (2000 Plan) which envisioned a 700-mile high speed train system reaching speeds of 200 mph on dedicated, grade-separated tracks by 2020. The 2000 Plan projected capital costs to be $25 billion. CHSRA made several recommendations to the Governor and Legislature on steps to initiate funding and environmental processes.[3]

---

[2] California Secretary of State, Official Voter Information Guide, Proposition 1A: Reliable High-Speed Passenger Train Bond Act, November, 4, 2008.

CHSRA's 2008 Business Plan: On November 7, 2008, three days after Proposition 1A was approved by California voters, CHSRA released an updated 2008 Business Plan (2008 Plan), which estimated that building Phase I, San Francisco-to-Los Angeles/Anaheim, would cost between $32.8-$33.6 billion and be completed by 2020. The federal share of those costs was assumed to be $12-$16 billion.

On March 17, 2009, the Legislative Analyst's Office reported to the California Senate Transportation and Housing Authority on the CHSRA and its 2008 Plan. The LAO noted that the 2008 Plan was "very general" and did not provide any sense of how CHSRA would develop, construct, and operatethe project. LAO recommended that before bond funds were appropriated CHSRA should supply more specifics on system details, description of steps to secure funding, timeline of project milestones, and mitigation strategies for project risks.[4]

CHRSA's 2009 Business Plan: The 2009-2010 State Budget required that CHSRA update its 2008 Plan and submit it to the Joint Legislative Budget Committee by December 15, 2009, including specific information required by the law. The 2009 Plan increased the estimated cost of the project from approximately $33 billion to $42.6 billion. The federal share of those costs also increased to a range of $17-$19 billion. The 2009 Plan did not change the projected completion date for Phase I of 2020.

On January 11, 2010, the LAO reported to the California Assembly Transportation Committee on the CHSRA and its 2009 Plan. The LAO noted that the 2009 Plan was more informative in some areas, but its discussion of risk was inadequate and its timeline identified few deliverables or milestones to measure progress. For example, the LAO noted that the 2009 Plan barely addressed the risk of incorrectly projecting ridership and "was unclear in what order various events would occur." The LAO also noted that federal funding expectations were "highly uncertain" explaining the plan assumed $17-19 billion in federal funds over six years. The LAO also explained that an operating subsidy may be necessary to attract private funding, and if so, provision of an operating subsidy would be a violation of Proposition 1A. [5]

May 2011 LAO Report

On May 10, 2011, the LAO released a more detailed report entitled "High-Speed Rail is at a Critical Juncture" based on the 2009 Plan and project progress thus far. The report noted a number of serious problems that threatened the successful development of the project.[6]

---

[3] CHSRA, "High-Speed Rail System Business Plan," Executive Summary, pp. 1-4.

[4] LAO, "The High-Speed Rail Authority," Presentation to Senate Transportation and Housing Committee, Mar. 17, 2009.

[5] LAO, "The 2009 High-Speed Rail Business Plan," Presentation to Assembly Transportation Committee, Jan. 11, 2010.

[6] Legislative Analyst's Office, "High-Speed Rail is at a Critical Juncture," (May 2001 Report) May 10, 2011, p. 6.

Regarding funding concerns, the LAO explained that federal funding expectations seemed “unrealistic” given the current fiscal climate, and that other funding sources were “unclear.” It also explained that the State could face increased debt service costs of $1 billion for 20 years.[7] The LAO also again raised concern that if the project did not meet its projected ridership it would require an operating subsidy, which is prohibited by Proposition 1A.

Regarding the federal project requirements, the LAO explained that because all ARRA funds had to be spent by 2017, the FRA required that federal funds for construction be spent on the rail line segment in the Central Valley. LAO reported the assumption was that there would be little opposition to construction in the Central Valley.

As to the CHSRA’s structure and staffing, the LAO stated that the CHSRA’s board lacked relative accountability to the executive or legislative branches. The LAO also reported that the CHSRA relied heavily on consultants, with a staff of 19, but a team of 604 consultants, questioning whether the staff could effectively manage so many consultants.

Finally, LAO identified that the Legislature “lacks a detailed business plan to guide multi-million dollar decision it must make.”[8] Noting that the 2009 Plan did not estimate the total costs for all phases, the LAO expressed concern that the cost estimates that were included ($43 billion for Phase I), were outdated. By way of reference, the LAO explained the cost of the segment between Fresno and Bakersfield increased 57 percent to $4.5 billion, and if the whole Phase I followed suit, costs would be closer to $67 billion. The LAO observed that “there is a significant risk to the state that the statewide high-speed rail system envisioned in Proposition 1A will never be fully completed.”[9] LAO explained that starting with the Central Valley construction could leave the State with only a segment or two ultimately constructed, but recommended construction of end segments first, like Los Angeles to Anaheim or San Francisco to San Jose, would provide greater benefit to the State’s overall transportation system. However, given the FRA’s “impractical restriction” of federal funds to the Central Valley construction, the LAO recommended the State seek federal flexibility regarding the timing of construction and the choosing for itself which segment to construct first.[10]

Pursuant to a request of the Senate Select Committee on High-Speed Rail, the Peer Review Group reviewed the May 2011 LAO Report. The Peer Review Group agreed with the LAO and stressed that the following months would be the last chance for the Legislature and Governor to influence plans for the project, as future changes would increase costs. The Peer Review Group expressed concern with the cost estimates stating “the actual cost of the project is still unknown with any degree of confidence but the cost is ‘trending upward.’”[11]

Given the questionable funding situation, the Peer Review Group explained that there was a clear risk “whatever is started will not be finished and whatever is finished may have only

---

[7] In California, because debt service on the general obligation bonds comes from the General Fund, those debt service payments must compete for General Fund monies with other state programs like schools and universities.

[8] May 2011 Report, p.

[9] May 2011 Report, p. 16.

[10] May 2011 Report, p. 15.

[11] Peer Review Group, Comment on the LAO Report, p. 3.

limited utility."[12] Elaborating on the LAO's concerns about starting in the Central Valley, the Peer Review Group stated that constructing the Central Valley portion first "would yield an asset of very little value if the project cannot be funded beyond this segment alone. … and would not actually demonstrate high-speed service because it would not be electrified."[13] The Peer Review Group reiterated LAO's recommendation that the construction begin at one of the end segments.

The Peer Review Group agreed that LAO was reasonable in its conclusion that there is greater risk to the State of partial completion by starting in the middle rather than upgrading the end segments. The Group agreed that the State should seek revision of sequencing and spending with FRA before the Legislature decides how to proceed and before construction commitments are made.

IV. Current Developments

Draft 2012 Business Plan

On November 1, 2011, CHSRA released its Draft 2012 Business Plan for review and submitted to the Legislature its Funding Plan on November 3, 2011, pursuant to Proposition 1A's requirement that it do so at least 90 days prior to requesting a appropriation from the bond act. The Funding Plan primarily incorporates by reference the 2012 Business Plan.

Funding Changes: The 2012 Business Plan estimated the cost of completing Phase I would more than double, from $43 billion to a range of $98.5-$117.6 billion.[14] Though the plan assumes no federal funding FYs 2012-14, beginning in 2015 the plan assumes federal grants totaling more than $52 billion, as follows:

---

[12] Id.

[13] Id. at 5.

[14] CHSRA, "California High-Speed Rail Program Draft 2012 Business Plan," November 1, 2011, pp. 8-1 – 8-2.

Draft 2012 Business Plan[15]	
Federal Funding Projections	
Fiscal Year	Amount
2015	$881 million
2016	$907 million
2017	$935 million
2018	$1.444 billion
2019	$1.488 billion
2020	$1.572 billion
2021	$2.831 billion
2022	$3.299 billion
2023	$3.665 billion
Two-year hiatus relying on private sector funding of $4.5 billion each year	
2026	$3.165 billion
2027	$4.564 billion
2028	$4.695 billion
2029	$4.843 billion
2030	$4.988 billion
2031	$5.138 billion
2032	$5.283 billion
2033	$2.336 billion

Source: CHSRA Draft 2012 Business Plan

Project Sequencing Changes: The completion date for Phase I was pushed back 13 years to 2033. The 2012 Business Plan proposes to first use the committed funds of $6 billion to construct the "Initial Construction Segment" (ICS) from south of Merced to north of Bakersfield.[16] The ICS would connect Fresno (population of 900,000) and Bakersfield (population of 600,000). Los Angeles has a population of 19 million and the San Francisco Bay Area, 6.4 million. Once the ICS is completed, no high-speed rail train will operate on it, as it will not be electrified and is not a usable segment. Instead, the 2012 Plan proposes allowed Amtrak's *San Joaquin* service through the Central Valley, but it is unclear when Amtrak would begin using the high-speed tracks.[17]

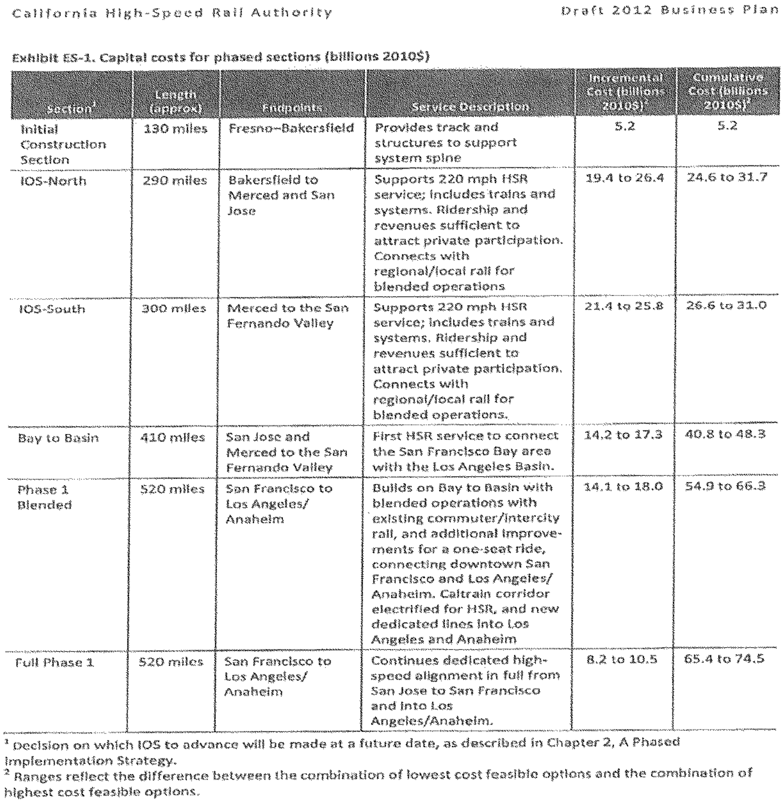
---

[15] As compiled by Transportation Weekly, Thursday, November 3, 2011.

[16] Draft 2012 Business Plan, p. 8-4.

[17] Draft 2012 Business Plan, p. 9-9.

While the concept of the ICS is new to the 2012 Plan and is not a usable segment, the 2012 Plan identifies two possible usable segments that will constructed sometime in the future once the ICS is complete: (1) the Initial Operating Segment North from Bakersfield to Merced and San Jose (IOS-N); and (2) the Initial Operating Segment South from Merced to the San Fernando Valley. CHSRA does not commit to which IOS it would construct after the ICS is completed; however, the ICS is part of both IOS-N and IOS-S.[18] The following chart outlines the proposed construction schedule for completion of Phase I.



California High-Speed Rail Authority Draft 2012 Business Plan

Exhibit ES-1. Capital costs for phased sections (billions 2010$)

Section[1]	Length (approx)	Endpoints	Service Description	Incremental Cost (billions 2010$)[2]	Cumulative Cost (billions 2010$)[2]
Initial Construction Section	130 miles	Fresno–Bakersfield	Provides track and structures to support system spine	5.2	5.2
IOS-North	290 miles	Bakersfield to Merced and San Jose	Supports 220 mph HSR service; includes trains and systems. Ridership and revenues sufficient to attract private participation. Connects with regional/local rail for blended operations	19.4 to 26.4	24.6 to 31.7
IOS-South	300 miles	Merced to the San Fernando Valley	Supports 220 mph HSR service; includes trains and systems. Ridership and revenues sufficient to attract private participation. Connects with regional/local rail for blended operations.	21.4 to 25.8	26.6 to 31.0
Bay to Basin	410 miles	San Jose and Merced to the San Fernando Valley	First HSR service to connect the San Francisco Bay area with the Los Angeles Basin.	14.2 to 17.3	40.8 to 48.3
Phase 1 Blended	520 miles	San Francisco to Los Angeles/ Anaheim	Builds on Bay to Basin with blended operations with existing commuter/intercity rail, and additional improvements for a one-seat ride, connecting downtown San Francisco and Los Angeles/ Anaheim. Caltrain corridor electrified for HSR, and new dedicated lines into Los Angeles and Anaheim	14.1 to 18.0	54.9 to 66.3
Full Phase 1	520 miles	San Francisco to Los Angeles/ Anaheim	Continues dedicated high-speed alignment in full from San Jose to San Francisco and into Los Angeles/Anaheim.	8.2 to 10.5	65.4 to 74.5

[1] Decision on which IOS to advance will be made at a future date, as described in Chapter 2, A Phased Implementation Strategy.

[2] Ranges reflect the difference between the combination of lowest cost feasible options and the combination of highest cost feasible options.

Source: CHSRA Draft 2012 Business Plan

---

[18] Draft 2012 Business Plan, pp. 2-11 – 2-16.

FRA Environmental Review

Transportation projects in California are subject to the California Environmental Quality Act (CEQA). If federal funds are utilized, the project is also subject to the requirements of the NEPA. CEQA is generally considered to be even stricter in its requirements for analysis of environmental impacts and mitigation for such impacts than NEPA. CHSRA is the lead agency for meeting CEQA and NEPA requirements, and FRA is the federal agency charged with ensuring that NEPA requirements have been satisfied.

Phase 1 of the project is a total of 520 miles, from San Francisco to Los Angeles Union Station and Anaheim. Due to the large scope of the project, environmental review is being conducted in two parts: a statewide program-level environmental impact review (EIR, under CEQA) and environmental impact statement (EIS, under NEPA), followed by a more specific project-level EIR/EIS of each segment of the system. Each project segment is moving through this process at a different pace.

Environmental Review Status

Phase 1 Segment	Environmental Review Status
San Francisco-San Jose (50 miles)	Preparing Draft EIS for Fall 2012 review
San Jose-Merced (125 miles)	Alternatives Analysis
Merced-Fresno (60 miles)	Preparing Draft EIS; preferred alternatives will be adopted by CHSRA 12/13/11. Record of Decision: Spring 2012
Fresno-Bakersfield (113 miles)	Supplemental Draft EIS, Final EIS to be drafted in 2012. Record of Decision: December 2012
Bakersfield-Palmdale (85 miles)	Alternatives Analysis
Palmdale-Los Angeles (58 miles)	Supplemental Alternatives Analysis
Los Angeles-Anaheim (29 miles)	Preparing Draft EIS for Fall 2012 review

The ICS from Merced to Bakersfield is scheduled to begin construction after Records of Decision are issued by FRA on both Merced-Fresno and Fresno-Bakersfield segments, probably in 2013. Construction of the ICS is expected to be completed by the end of 2017.

V. Causes of Concern

Concerns with Increased Costs and Time

The 2012 Business Plan outlined the increase to the cost of the project to nearly $100 billion and an extension of the completion date to 2033. The heavy reliance on federal funding for the project in the 2012 Plan also raises concerns about whether the project is feasible, especially in light of Congress de-funding the HSIPR Program. The following chart illustrates how the costs of the project have risen since 2000.

California High-Speed Rail Project's Rising Costs Chart		
Plan or Report	**Estimated Costs (Phase 1)**	**Completion Date (Phase 1)**
2000 CHSRA Business Plan	$25 billion	2020
2008 CHSRA Business Plan	$32.8 – $33.6 billion	2020
2009 CHSRA Business Plan	$42.6 billion	2020
May 2011 LAO Report	$67 billion	2020
Draft 2012 CHSRA Business Plan	$98.5 - $117.6 billion	2033

Because Proposition 1A requires that a Funding Plan be submitted prior to appropriation of bond funds, both houses of the California Legislature held hearings on the 2012 Plan and Funding Plan. On November 29, 2011, the Assembly Transportation Committee held a hearing, at which a number of Assembly Members questioned the rising costs, the wisdom of beginning with the Central Valley segment, and the ridership models upon which the plans were based. The LAO made a presentation at the hearing and testified that the Funding Plan "does not meet the requirements of Proposition 1A" because it only identifies committed funding for the ICS, which is not a usable segment.[19] The LAO also reiterated the future funding sources are "highly speculative" and further federal funding "appears doubtful," making it "increasingly likely that the ICS may be all that is ever built."[20]

Assembly Members also expressed concern that the ridership projections, which were integral to the revenue projections, were unrealistically optimistic. Furthermore, concerns were raised that the State's General Fund would be responsible for any further State funding needs, which would compete with education and other needs. The Peer Review Group also testified that it would be preferable to the start construction at the end segments and not in the middle.

Similarly, the California Senate held a joint hearing on December 5, 2011, at which many of the same concerns were raised. LAO again affirmed its belief that the Funding Plan violates Proposition 1A. Several Senators also raised concerns regarding where the remaining projected $98.5 billion would come from and questioned the wisdom of constructing the ICS first.

---

[19] LAO, High-Speed Rail Authority: The Draft 2012 Business Plan and Funding Plan (LAO 2012 Presentation), Presentation to Assembly Transportation Committee, November 29, 2011, p. 6

[20] LAO 2012 Presentation, pp. 6-8.

Pending Lawsuit

On November 14, 2011, two individuals and Kings County filed a lawsuit against the CHSRA, Governor Brown, and other state officials alleging that the planned Initial Construction Segment in the Central Valley would violate Proposition 1A, thereby making it ineligible for bonds funds. The lawsuit seeks to temporarily and permanently enjoin bond funds from being used to construct the Initial Construction Segment.[21] While the lawsuit is in its preliminary stages, the CHSRA plans to discuss this lawsuit at its Board meeting on December 13, 2011. The lawsuit appears to draw on the LAO's concerns regarding whether using the bond funds for construction of the ICS would violate Proposition 1A.

Eroding Citizen Support

Upon release of CHSRA's most recent Business Plan and Funding Plan and subsequent State-level hearings, a Field Poll was released that showed that Californians want an opportunity to vote "no" on high-speed rail. Nearly two-thirds of voters (64 percent) want the Legislature to call for a re-vote. According to the poll, 59 percent of voters said they would reject the $9 billion bond measure from 2008, including 37 percent of those who voted for the bond measure in 2008. Even prior to the release of this poll, some state legislators proposed introducing legislation to put the bond measure back on the ballot in 2012. A summary of the Field Poll is included in Attachment 1.

VI. U.S. Congressional Initiatives

In the 112th Congress, several legislative initiatives have been introduced regarding high-speed rail in California. Major legislative initiatives focusing specifically on the California High-Speed Rail Project include:

H.R. 761 – San Joaquin Valley Transportation Enhancement Act of 2011 (Introduced 2/18/2011) – Rep. Devin Nunes (R-CA). This legislation would allow the State of California to redirect federal high-speed rail funding to finance roadway improvements along the State Route 99 corridor.

H.R. 3143 – To freeze the availability of Federal funding for high speed rail projects in California, and for other purposes (Introduced 10/7/2011) – Rep. Kevin McCarthy (R-CA). This legislation would prohibit the obligation of expenditure or any federal funds for high speed rail projects in California until after September 30, 2012. The legislation would also require the Comptroller General to submit a report to Congress making a number of assessments regarding high-speed rail in California.

---

[21] Complaint for Petitioners, John Tos; Aaron Fukuda and County of Kings v. California High Speed Rail Authority, Sacramento Superior Court Case No. 34-2001-00113919.

VII. Invited Witnesses

The Honorable Joseph Szabo
Administrator
Federal Railroad Administration

Roelof Van Ark
CEO
California High Speed Rail Authority

The Honorable Jerry Amante
Mayor of Tustin, California
and Member, Orange County Transportation Authority Board of Directors

The Honorable Ashley Swearengin
Mayor of Fresno, California

Greg Gatzka
Director
Kings County Community Development Agency

Elizabeth Alexis
Co-founder
Californians Advocating Responsible Rail Design

Kole Upton
Vice President
Preserve Our Heritage

XX

Attachment 1

California Field Poll Questions on High Speed Rail
Survey conducted Nov. 15-27, 2011 of 1,000 registered voters. Margin of error +/- 4.4%.

"...[D]o you favor or oppose the legislature putting the 9 billion dollar state bond package to another public vote in next year's statewide elections?"

	Favor Another Vote	Oppose Another Vote	No Opinion Vote
Statewide Total	64%	30%	6%
Party Registration			
Democrats	57%	35%	8%
Republicans	66%	29%	5%
Non-Partisan/Other	73%	22%	5%
Awareness of Project			
Have heard	66%	29%	5%
Have not heard	56%	36%	8%
Vote in 2008 on Prop. 1A			
Voted Yes	64%	30%	6%
Voted No	64%	33%	3%
DNV/Don't Recall	63%	28%	9%

"Suppose that 9 billion dollars in state bonds for the California High Speed Rail project were put before voters again in a statewide election ballot. If the election were being held today, would you vote YES to approve or NO to reject this bond package?"

	Yes, to Approve	No, to Reject	Undecided
Statewide Total	31%	59%	10%
Party Registration			
Democrats	40%	49%	11%
Republicans	21%	73%	6%
Non-Partisan/Other	27%	61%	12%
Awareness of Project			
Have heard	32%	58%	10%
Have not heard	26%	63%	11%
Vote in 2008 on Prop. 1A			
Voted Yes	53%	37%	10%
Voted No	3%	96%	1%
DNV/Don't Recall	28%	57%	15%

CALIFORNIA'S HIGH-SPEED RAIL PLAN: SKYROCKETING COSTS AND PROJECT CONCERNS

THURSDAY, DECEMBER 15, 2011

HOUSE OF REPRESENTATIVES,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
WASHINGTON, DC.

The committee met, pursuant to notice, at 10:02 a.m. in Room 2167, Rayburn House Office Building, Hon. John Mica (Chairman of the committee) presiding.

Mr. MICA. Good morning. I would like to call this hearing of the House Transportation and Infrastructure Committee to order, and welcome everyone this morning.

The topic of today's hearing is, "California's High-Speed Rail Plan," and its subtitle is, "Skyrocketing Costs and Project Concerns." This is the second in a series of hearings on the national high-speed rail program.

And we are pleased to have, as the order of business, first of all we will hear opening statements from members of the T&I committee. And then we have a Members panel, and we have very active interest from Members of the California delegation who have been invited to testify. And then we have an additional panel with Mr. Szabo and others, officials Federal and local, and stakeholders in the California project.

So, with that as the order of business, we will go ahead and proceed, and I will start with an opening statement. And then we will yield to Members as they arrive.

Well, let me say, first of all, I consider myself a strong advocate of high-speed rail. We worked on the PRIIA, the Passenger Rail Investment and Improvement Act, which President Bush signed. And one of the provisions of that bill was to set some parameters for high-speed rail. And within that legislation there were a number of corridors identified, and the California corridor was one of those corridors identified as having potential for high-speed rail.

I have done everything I can to support high-speed rail. I was pleased when President Obama initially signaled and actually worked and got some substantial funding, $8 billion, for high-speed rail, and included that in the American Recovery and Reinvestment Act. Congress additionally appropriated another $2.5 billion. So we had a total of $10.5 billion, a fairly significant amount of money, which you could actually have at least launched, hopefully, a successfully model for high-speed rail in the country.

Instead, what we saw take place is that Amtrak, who sort of dominated the process, and FRA, who went along with overseeing the distribution of funds and grants, ended up getting nearly 98 percent—Amtrak ended up getting about 98 percent of the projects.

Unfortunately, the entire high-speed rail program has turned into sort of a bait and switch operation. And most of the projects that we have and nothing of the 70-some projects that were approved, and Amtrak has say over, none of them really achieve, either by U.S. standards or international standards, high speed, and most are snail-speed trains.

We heard last week a rundown of other projects touted as high-speed, some in the Midwest and other locations, which achieve—the highest speed, I think, is about 80 miles an hour, on average, which does not classify anywhere near 110 or today 150, which is common in Europe and Asia, and the President also often cites as models.

So, the one hope for high-speed rail of all the projects that were chosen was California. And California seems to be imploding every day. The California project is turning out to be an additional disaster in a long list of projects touted for high-speed rail. The major problems that we see with California—and I will just summarize them—these are just some of the headlines that we picked off the Internet. In fact, there were so many of them, I said to the staff, "Just put up a sampling." But all of them clearly demonstrate that the California project is in dire straits. And the problems are, as I identify them, pretty simple.

First, any project, particularly for transportation, mass transportation, has to start with what they call an initial operating section—IOS. And they, unfortunately, chose a location that doesn't serve many people. There are more cows and vegetables, I guess, along the corridor that they chose than riders. And by picking the wrong location, I think they set off on the wrong foot.

The second thing that we have found with this project is—and it isn't something that we came up with, but the State came up with—was just within the last month. The cost is—the projected cost has doubled from $42.6 billion to $98.5 billion, or could be as high as $117 billion, depending on future alignments. That is—the cost overruns aren't bad enough by itself, but the completion date is pushed back 13 years, from 2020 to 2033, which means that you would have a huge operational subsidy for a very weak ridership passenger route until, again, you completed the system. And even then the numbers for ridership are questionable.

And finally, I am told that because of this situation with the way the project seems to be imploding, that we will not have vehicles that will be able to achieve high speed, even in this first segment. So what we will have is another snail-speed train at extremely expensive infrastructure cost.

So, those are my concerns. And again, our committee tries to be responsible for looking out for the taxpayer interest in these projects. This project, by itself, consumes, I think, 36 percent of all the high-speed rail funds. It may be as high as 40 percent. And so, it is a very serious concern to the committee that, in fact, we have a huge amount of the money that Congress has designated in a project that will not show success.

I would like to see success. I have been a strong advocate of the Northeast Corridor, since we own that right of way. Amtrak operates service and we have 20 percent of the population density of the United States and all the intermodal connectors.

Finally, I have been out to Fresno and looked at the route and heard from some of the folks. Unfortunately, some of the communities do not have either the population or the fixed infrastructure connections or service available to make the project a success.

So, those are some of the basic concerns that I have. We want to hear from Members of the California delegation. First we will hear from them on our panel, and then those who have joined us and will provide their testimony today.

So with those comments, I am pleased to yield to the ranking member, Mr. Rahall.

Mr. RAHALL. Thank you, Mr. Chairman. I have no opening statement, just an observation. For the past 10 years I have served as ranking member and then chairman of the House Natural Resources Committee. And I watched you guys fight over water. Now I am coming over here to Transportation and Infrastructure, and you are fighting over trains. It is like a never-ending TV reality show. That is the end of my comments, Mr. Chairman.

Mr. MICA. Let's see. We have—in order of seniority, let me go now to Mr. Miller, who is a Member of the California delegation, and a member of our committee.

Mr. MILLER OF CALIFORNIA. Thank you. Thank you, Mr. Chairman. I enjoyed the ranking member's comment about fighting. I think we have some disagreement here without a problem. I appreciate my colleagues from California coming here today. And Chairman Mica, I really appreciate the time you have taken to go to California to look at our cow patch. That is the proposed link of the first part of this system.

But, you know, the problem we have is California is about 37 million people today. And by 2030, it is going to increase by another 25 percent to 46 million. And transportation is a huge issue, without a doubt. And many of us here on the panel, a few on the right here, we all represent an area that knows what Long Beach and the LA County harbor can do to our areas, because it is tremendously impactive on us. About $250 billion worth of trade goods come through our districts.

And the high-speed rail proposal has two options. It could become a debt-laden drag on the California and U.S. economy, or it could lead the way to an—employment, fiscal responsibility, and innovation. But the facts that have been presented in the past and we look at in the future raise tremendous concern. We have to look at ridership, the route, risk mitigation, and where the high-speed rail fits in to the future of California.

Just 3 years ago, they proposed it would be $33 billion to draft it and complete it, and now we are talking about $98.5 billion, money that California clearly doesn't have. And some of the projections are using funds that, clearly, Congress doesn't have to give, either.

Current ridership forecasts they are still using 2007 models. I don't know why that is. It is 2011. So we are using outdated ridership numbers already.

We are looking at high-speed rail building on an interstate system comparing to the 1940s, 1950s, and 1960s, where significant revenue streams and major Federal participation occurred.

But we are looking at $50 billion in Federal monies that is not there to do this project. When you look at qualified tax credit bonds, thinking about $12.4 billion. If we are going to get 2 percent of that $50 billion, that is a billion dollars. That leaves us about a $11.9 billion shortfall.

Recent polls, about two-thirds who have voted believe California should vote on the State high-speed rail project. Nearly two-thirds say that they would vote no. Main reason is due to the changes in the estimated cost and completion dates.

Now, I would like to submit for the record a letter from California State Legislature and the information requested in the letter from the California High-Speed Rail Authority, that it may be a part of the record.

Without objection, Mr. Chairman?

Mr. MICA. Without objection, so ordered.

[The information follows:]

CALIFORNIA LEGISLATURE

STATE CAPITOL
SACRAMENTO, CALIFORNIA
95814

Date: December 8, 2011

California High-Speed-Rail Authority
Attention: Michael Rossi, Board Member
770 L Street, Suite 800
Sacramento CA 95814

RE: Draft Business Plan follow-up questions

Dear Mr. Rossi:

Over the past several weeks since the release of the California High Speed Rail Commission (HSRA) Draft 2012 Business Plan, you and other members of the Authority have testified before a number of Assembly and Senate panels. In those hearings, you have offered to assist Assemblymembers and Senators to answer specific questions pertaining to the finance plan. We appreciate your commitment to transparency, and in recognition of the urgency surrounding the project, are working with staff to ensure that we have the information we need to make the decisions necessary to properly assess the plan and the system it proposes to build.

You will recall that at the Assembly hearing on November 29, 2011, the HSRA board members and the board were provided with a list of questions and a request for a written response to the Committee from the Authority. Since that hearing date, the Members of the Assembly and Senate have had more time to review the Draft Business Plan and have some additional questions. Due to the time constraints with regard to funding, we respectfully request that you expeditiously provide the fiscal and policy Committees on both houses of the Legislature, and our personal offices, with written responses to the following questions and our request for materials by no later than January 6, 2012:

1) The complete set of assumptions and estimates, in one distinct document, for the entire 2012 draft business plan, by phase.

2) In the previous letter we mentioned that your business plan does not include any costs **for security** related activities designed to prevent a terrorist attack. As a follow-up to the previous inquiry:

You will recall, prior to the terrorist attacks on our airports security was at a minimum level. However, following the attacks of September 11th, 2001, our airport security had to be enhanced, at tremendous cost and at great inconvenience to the traveling public, in fact adding additional time to their traveling experience.

a. Although you appear to believe that the HST will be immune from terrorist attacks, what steps do you envision would need to be taken should such an attack OCCUR?
b. When security is added, how much additional time will security add to overall travel times?
c. By what means, and at what cost, both for equipment and personnel, will you ensure the security of the entire 500 miles of phase one and phase two tracks and train sets? These costs must be built into your model as it will likely impact ticket prices to pay for the added staffing and equipment, and correspondingly you must account for this impact to ridership as operational costs would rise resulting in a need to increase ticket prices to fund these activities.
d. Please provide the updated ridership, and revenue forecasts to account for the changes that these activities will have on ticket price, as well as, ridership. Please account for this change during the first year following such a tragedy, (taking into consideration the added cost and added time to clear security) and for each of the following five years. **These considerations, including the added cost of equipment and personnel must be accounted for in the final business plan.**

3) Assemblywoman Harkey's prior letter raised questions pertaining to the new **Initial Construction Section (ICS). After careful consideration of this issue** we find that we have some additional questions to add to those inquiries as originally posed in the November 29th letter. To reiterate, the plan states that a 140 mile section of track in the central valley, from just south of Merced to just north of Bakersfield, can be used by the Amtrak's San Joaquin service, cutting travel time by as much as 45 minutes.

a. What would be the cost to connect the two systems?
b. What level of revenues should we anticipate, per seat or per train should this activity ensue?
c. Can the HSR tracks and viaducts support the higher weight of the standard diesel electric locomotives and older technology passenger cars used by Amtrak or would they need to be strengthened to support such train sets?
d. What is the incremental cost increase required per mile to strengthen these tracks and viaducts?
e. Who would pay for this enhancement, Amtrak or California?
f. Who would pay for connecting the two systems?
g. What would be the impact on ticket price with respect to ridership?
h. What level of revenues are you anticipating from this arrangement?

   i. Have negotiations been undertaken with Amtrak to determine their interest in this arrangement? If so, please provide a synopsis of the discussions and associated documents.
   j. What is your fall back plan should the Initial Construction segment require more than the available $5.2 billion?

4) Did the Authority commission a separate investment grade ridership forecast specifically for the north and south IOS sections?

5) As a requirement of the Funding Plan, "the proposed ridership and operating service revenue estimate based on projected high-speed train operations on the corridor or usable segment" must be performed and certified by the Authority. Accordingly, pursuant to the Authority's Resolution #HSRA11-22, if such an investment grade ridership projection was done, did the modeling peer review committee established to review the Cambridge model also review these new ridership forecasts?

6) The Plan [pg.3-4] states "... more than 300 separate cost items have been developed for the cost estimates." To avoid the issue of "top line" aggregation, what are the details, of the cost items included?

7) The Funding Plan requests funding for the construction of both the north and south IOS sections. What is the total cost of these sections estimated for the year of construction pertaining to these two segments? The Business Plan does not clearly identify the total costs of these IOS sections, including the overlapping ICS.

8) The draft Business Plan does not clearly identify the sources of funding to cover the costs of the construction of both IOS sections. As a requirement of the Funding Plan, what are the sources of funding and the anticipated time of receipt of those funds?

9) The Funding Plan requests funding for both IOS sections. What is the schedule for environmental clearances for each of these sections, including the approvals of necessary environmental permits?

10) The Authority has certified in the Funding Plan that the environmental clearances will be performed before work on these sections can commence. Is construction expected to commence within either of these segments (such as commencing work on the ICS) prior to receipt of environmental approvals for either IOS?

11) The Authority's Report to the Legislature, December 2009, indicates that the "environmental review process must be complete before a final project alignment can be chosen and before any construction can take place. The process is being conducted in accordance with the requirements of NEPA and

CEQA." Does NEPA or CEQA allow preliminary work to commence on either IOS section (the Authority intends to start construction of the ICS in 2012) prior to the Authority's certification of the NEPA and CEQA documents on either IOS?

12) What are the current plans of the Authority to perform right-of-way assessments and negotiations for farmland and private property acquisitions?

13) What are the projected costs to mitigate damages to farm and agricultural lands in the central valley? Estimates and assumptions please.

14) What is the schedule for right-of-way acquisitions for the IOS sections?

    a. Will the efforts be undertaken by Authority personnel, Caltrans employees, the Department of General Services, or under contract?
    b. Are the parcel acquisitions subject to the approvals of the State Public Works Board and the Department of Finance?

15) Now that **your business plan calls for a blended system**, it nevertheless still proposes express trains making the trip between San Francisco and Los Angeles in less than three hours. (Again, your projections must include a scenario that includes real times for the blended system accounting for the added time required to meet security needs). Prop 1A reflects that this time will be 2 hours and 40 minutes.
    a. Could you please tell us how long, and what distance is required for the train to get up to 220 miles per hour from a dead stop?
    b. Could you also tell us how long it takes, and what distance is required to stop a HSR when traveling at 220 miles per hour?
    c. To meet the time requirement, what speeds will be required?
    d. What speeds are anticipated between each of the stations or segments?

16) We notice that the **information provided in the 2012 business plan is significantly different** than the two prior plans. What steps and or actions have been taken to hold Parsons Brinkerhoff accountable for the quality – or lack thereof – of their work product? Have there been any performance incentives paid or withheld. If so, how much and why?

17) How will the **initial operating costs** be paid for and why aren't these costs considered an operating subsidy? If they are paid from a revolving line of credit, until cash flow is generated, as stated during the November 29th hearing, will the state be required to guarantee or otherwise be responsible for the line of credit?

18) For what reason did you choose, in the business plan, to compare a fictional level of capacity instead of actual infrastructure needs in 2034?

19) Your **jobs estimates** are 1.2 million job-years over the next 20 years. Do you have data available regarding what types of jobs, and how many, are created for each year?
    a. What **percentage of construction-related jobs** are design and engineering, and how many of those can be filled with California professionals who currently have the required knowledge?
    b. The Authority uses 20,000 jobs created per $1 billion investment. Is this a conservative estimate and why was it chosen? The American Association of Railroads and Parsons Brickerhoff both use 20,000 as a national number, but note that region-specific jobs are far less because of the lack in broad product specialties. Does California have special circumstances that prevent such a decline?

20) The Authority uses noise projections without the HSR project to compare to noise projections with the HSR project; however, the Federal Railroad Authority states that it is inappropriate to compare one set of projections with another because the opportunity for error is too great. Do you have a comparison of present noise and projected noise with the HSR project?
    a. Infrequent noise includes pass-bys up to 70 per day - or about 3 per hour. How does this compare to noise frequency with other projects and do you maintain that a train every 20 minutes is infrequent noise?
    b. Even after mitigation, the noise impact report says for Phase I there will still be severe noise impact for 523 residential sites. How many residences do these sites include?

21) A copy of the complete datasets for all input data used in preparing ridership and revenue forecasts.

22) A complete and concise list of all equations used to derive ridership and revenue figures from input data, with an accompanying description of all variables and assumptions

23) A copy of the Ridership Peer Review Group's report summarizing the additional conclusions from its August, 2011 meeting.

24) According to the approved Findings and Recommendations from April-July 2011 Review Period, "The longer-term issues mentioned in Section 5 of our report from January, 2011 remain unaddressed. We continue to view these as critical to a full assessment of the credibility of model forecasts for future applications. These were examined in the panel's August meeting and our conclusions will be reported shortly."

25) A detailed copy of the analysis used to generate job creation estimates, including all assumptions and calculations used to justify the following claims:

   a. Generation of 100,000 jobs for constructing the ICS, and 800,000-900,000 jobs for connecting the Los Angeles and San Francisco metropolitan areas.
   b. Generation of "as many as 400,000 long-term jobs."
   c. A detailed copy of the analysis, including all assumptions and calculations, used to estimate carbon reductions of three million tons annually, and an explanation of how analysis changed from previous business plan to reduce the original figure by 50 percent.

In addition, please provide us with responses to the following ridership specific questions:

1. The Institute of Transportation Studies at UC Berkeley previously identified flaws in the ridership model requiring additional data collection and significant model development to correct. According to ITS Director, Prof. Samer Madanat, "the effect of these shortcomings is known to be severe" and these shortcomings "are yet to be corrected" in the 2012 Business Plan. How reliable are current figures given these ongoing shortcomings?

2. The ITS review noted that "Cambridge Systematics appears to have relied on [the methodology developed by] Koppelman and Garrow to justify their estimation and calibration procedure. Unfortunately, more recent work by Bierlaire, Bolduc and McFadden shows both theoretically and with real data examples that the Koppelman and Garrow procedure is wrong."
   a. Why does the Business Plan continue to rely upon a disproven methodology, rather than the more recent work of Nobel Laureate Daniel McFadden?
   b. Given the controversy surrounding continued use of the Koppelman methodology, why was Koppelman chosen to lead the independent review of the model? Given that Koppelman is an intellectual stakeholder in the controversial choice of methodology, does this call into question the independence of the independent peer review committee?

3. Both Prof. Koppelman, as well as another member of the independent peer review committee (Billy Charlton), were contracted by Cambridge Systematics to assist in the development of the original Ridership and Revenue forecasting study. Does it call into question the independence of the independent peer review committee that the Chairman and another member are independently reviewing their own work? Doesn't this defeat the point of an independent peer review?

4. Were Prof. Koppelman and Billy Charlton compensated by Cambridge Systematics for their work on the original study?

5. Were members of the independent peer review committee compensated for their work? How much compensation did they receive, and how was the compensation agreement structured?

6. How reliable is the model if certain conclusions are clearly erroneous? For example, see Draft Technical Memorandum Chapter 5, pages 11-16. Average daily station boarding's in 2030 for Merced are 3,200-4,600 for Phase 1, 6,400 for Bay to Basin, 4,000 for IOS-N, and 14,400 for IOS-S. Why is there 2-3 times more boarding's to ride a fragment compared to the entire length?
    a. For IOS-S, this is 5.3 million boarding's per year from Merced in 2030. This is greater than Amtrak boarding's from New York's Penn Station.

7. Has HSRA completed an EIR for the ICS alone? Wouldn't this EIR be required under CEQA because there are different ramifications for Amtrak than for HSR (e.g. air quality considerations of running diesel train vs. electric train)?

Thank you in advance for your attention and responses to these issues.

Sincerely,

Diane Harkey
Assemblywoman, 73rd District

Doug LaMalfa
Doug LaMalfa
Senator, 4th District

David Valadao
Assemblyman, 30th District

Bob Huff
Bob Huff
Senator, 29th District

Brian Jones
Assemblyman, 77th District

Bob Dutton
Bob Dutton
Senator, 31st District

Cc: California High Speed Rail Authority Board Members
Assemblywoman Bonnie Lowenthal, Chairperson, Assembly Committee on Transportation
Assemblyman Rich Gordon, Chair, Budget Subcommittee on Resources and Transportation
Members of Assembly Budget Subcommittee on Resources and Transportation
Gregson Porteous, Assembly Transportation Consultant
Chris Holtz, Assembly Fiscal Transportation Consultant
Ted Morely, Senate Transportation Consultant
Rocel Bettencourt, Senate Fiscal Transportation Consultant

COMMITTEES
VICE CHAIR, APPROPRIATIONS
PUBLIC EMPLOYEES RETIREMENT
SYSTEM AND SOCIAL SECURITY
BUDGET
REVENUE AND TAXATION

SELECT COMMITTEES
BIOTECHNOLOGY
CENSUS

Diane L. Harkey
Assemblymember, 73rd District

November 29, 2011

Bonnie Lowenthal, Chair
Kevin Jeffries, Vice-Chair
Assembly Transportation Committee
State Capitol
Sacramento, Ca 95814

Re: California High Speed Rail Authority Business Plan Review

Dear Chairman Lowenthal and Members:

The proposed California High Speed Rail plan, if implemented, will shape the future of our state. Depending on how and at what pace we proceed, will determine if California becomes a debt-laden, drag on the economy of the nation for the foreseeable future, or if we will we once again lead the way with employment opportunities, education excellence, financial competency, innovation and the continuance of the California Dream. While we must plan for capacity, and acknowledge that population growth will occur, we must allow for a range of menu options.

While we can and should dispute solutions to the daunting financial and future transportation issues we face, we cannot argue the financial facts. On the immediate and long-term front:

- We are facing an accumulated, recurring structural deficit of ≥ $35 billion.
- The State ended last fiscal year with a cash deficit of $8.2 billion. We will be facing an estimated $12 billion deficit (cash-flow shortage) upon returning to session in January, 2012. The combined current year cash deficit stands at $20.3 billion and is covered by debt and internal borrowing.
- Due to accumulating deficit spending and borrowing over the past ten plus years, we are presently facing trigger-cuts to K-12 and higher education, criminal justice and social services for the truly needy, aged and disabled.
- Our long-term prognosis is not optimistic. Long-term borrowing has grown from under $60 billion to over $90 billion over the past 4 years.
- Our debt service has grown from 4% of General Fund Revenues to nearly 8% over the same time period, and expected to rise to over 10% by 2015.

- We are nearly maxed-out of borrowing capacity (issuing GO bond offerings $1-2 B, and promising "trigger cuts" to obtain short-term cash flow borrowing) and we facing a credit downgrade by the rating agencies.
- General Fund spending is at pre-recession 2006 levels ($91.5 B including realignment).
- We are off-loading state prisoners and mental services to our counties.
- We are facing 11-12% unemployment with only projected modest improvement, lagging the nation in the foreseeable future.
- While high speed rail is being promoted to increase employment, the construction costs and wages will be paid with borrowed funds, and/or repaid by General Fund. As such, the net effect will be a wash or negative.
- We have procured roughly $3.9 billion in AARA funding for HSR, could access $2-3 billion from the $9 billion Proposition 1A funds (if debt funding is available), and we have already spent over $500 billion.
    - Hence, we have potential construction funding of $6.4 billion of a projected $98.5-117 billion Phase 1 project, or $6.4 billion for an initial "construction" segment that will not generate ridership revenue, and may not comply with AB 3034 and Proposition 1A.

For three years I and others have been asking questions regarding the viability and the potential state impacts of the proposed high speed rail plan for California. We have been termed nay-sayers for raising issues of ridership, route, environmental impacts, social impacts, risk mitigation, alternative transportation options, and where high speed rail fits into the priorities of our state's spending and future. All of these considerations and more will ultimately determine the future funding sources, for high speed rail, which at present are non-existent.

Business Plan : The most recent business plan is not unlike the 2008 business plan, in that it is anticipating billions in borrowing, lacks detail as to risk analysis, funding sources, specificity of route, ridership, public good being served, and transportation options. More specifically the plan does not seem to comply with the establishing legislation, AB 3034 and/or the voter-approved initiative, Proposition 1A of 2008.

My questions for the Committee and California High Speed Rail Authority are as follows:

1. Beginning with the most germane, obvious and the overriding issue, I would like to address whether or not providing funding for a high speed rail in California is authorized by the Legislature or this Governor.

QUESTION: Does the Business Plan satisfy the requirements of Prop 1A and the underlying legislation, AB 3034 passed in 2008? If so, please submit to this committee and the Legislature in writing a detailed analysis of all of the requirements and assurances, and how said requirements and assurances are being met.

2. On Page 9-9 through 9-12, the plan identifies funding and financing as critical risks. Considering 62% of Phase 1 funding would come from the federal government, either through appropriations that have recently been voted down, or qualified tax credit bonds

that don't exist, these are considerable risks. Yet, no mitigation strategies are suggested other than more lobbying and marketing costs.

QUESTION: Given this major risk, what confidence should we have in this plan to be completed without substantial state funding (on the order of $60-$80 billion) beyond the $9.9 billion in bond funding and the $10.8 billion in debt service interest payments that will be paid through the General Fund over 30 years?

3. There are 8 risks identified in this plan, any one of which could lead to "delay or inability to complete the program". Yet only 3 pages of the business plan are dedicated to a risk management plan. The eight risks identified in HSR Business Plan are: Cost and schedule, Staffing and organizational structure, Approvals, Demand/ridership and revenues, Funding, Financing, Right-of-way, and Stakeholder agreements, interface and integration.

QUESTION: What confidence should we have that these 8 major risks will not delay or kill the program, given the little attention to risk management in the business plan, and the history of this project?

4. Ridership is a key component to whether or not the rail system serves the public good, reduces carbon emissions, and attracts private or future public funding. In the initial construction segment and commensurate initial operating segment, the model will be very important to determine if ridership and revenues even equal the present state-subsidized Amtrak route. We are still using a 2007 optimistic and highly criticized ridership model.

QUESTION: Shouldn't we request a new, independent ridership study and peer review analysis?

5. You indicate that the new Initial Construction Section, a 140 mile section of track in the central valley, from just south of Merced to just north of Bakersfield , can be used by the Amtrak's San Joaquin service, cutting travel time by as much as 45 minutes.

QUESTIONS: **What would be the cost to connect the two systems? What level of revenues should we anticipate, per seat or per train should this activity ensue? Can the HSR tracks and viaducts support the higher weight of the standard diesel electric locomotives and older technology passenger cars used by Amtrak or would they need to be strengthened to support such train sets? What is the incremental cost increase required per mile to strengthen these tracks and viaducts? Who would pay for this enhancement, Amtrak or California? Who would pay for connecting the two systems? What would be the impact on ticket price with respect to ridership? What level of revenues are you anticipating from this arrangement? Have negotiations been undertaken with Amtrak to determine their interest in this arrangement? If so, please provide a synopsis of the discussions and associated documents.**

6. The business plan also states that this Initial Construction Section (ICS) will not be electrified and that you intend to use it for a test track.

QUESTIONS: Because the track is not electrified, can you please explain how it can or would be used as a test track for electrified trains? What would be the incremental additional costs required to make it a bonified operational electrified test track?

7. The CTC has just issued a report reflecting that our state faces a $536 billion shortfall in its highway maintenance program over the next ten years.

QUESTION: Since HSR is being promoted as a job creator, given that our highways roads and freight rail operations are the infrastructure over which the bulk of our state's, and a sizable percentage of our nations goods travel, why do you believe that this HSR project should take priority over projects needed to foster and enhance our business activities by improving our highways, roads and freight railways?

8. On page 1-11 of your business plan you express that, "other sources more than cover the cost of operating and maintaining the system."

QUESTION: Precisely what are these other sources?

9. The Plan relies heavily for ridership on the usage of high speed rail in other countries, most notably France, Japan and Spain.

QUESTIONS: Could you please tell us the population densities through which the HSR runs in France, Japan and Spain? Could you please tell us the number of automobiles owned per family in these countries? Could you please provide us with the number of highway miles available to the public in these countries?

10. The plan compares high speed rail to the building of the interstate highway system in the 1940's, '50's and 60's, where there were significant existing revenue streams, fewer regulatory hurdles and major federal participation.

QUESTION: Without a significant designated revenue stream and regulatory streamlining, isn't a fairer, more modern project comparison the 24 year construction of the new Bay Bridge, which started as a $1.4 billion project and escalated to final costs that will be closer to $7 billion?

11. In several chapters, the business plan points to attracting ridership because the new rail system will be faster and more convenient than air travel. Admittedly, the largest delay and inconvenience for a flyer is passage through security. Yet, the business plan makes little mention of costs to secure passengers and the rail assets, even in light of numerous successful terrorist strikes on worldwide rail lines, such as Madrid, London, and Tokyo. Also, this is not identified as one of the 8 critical risks to the system.

QUESTIONS: Why is there no fiscal analysis on the cost to purchase, organize, and operate an adequate security system? Wouldn't this be a significant risk to completing and

operating the system? Wouldn't this be a significant operating cost that would reduce or eliminate projected net operating profits?

12. The CHSRA continually asserts that all high speed rail projects run at a "net operating profit", even though only the north-east corridor Acela Line- Amtrak's line earns a profit as defined. Yet such profits do not take into account initial capital costs, which we now admit will be at least 80% subsidized by taxpayers-the vast majority of which will never use the train.

QUESTIONS: Why was the public sold on this project as needing minimal public funding when the exact opposite is true? What confidence should we have that these capital costs, which are being treated as "sunk costs", will not rise in order to keep the illusion of a "net operating profit"?

13. The LAO raised concerns about the comparison of $99 billion cost of building high-speed rail with the $170 billion cost of building highways and airports with equivalent capacity. Using data from the business plan to calculate ridership: 12 trains/hour x 19 hours/day x 365 days per year = 83,220 trains going each direction per year 83,220 trains per year x 700 passengers per year = 58.3 million passengers, each way North and south combined = 58.3 x 2 = 116.5 million riders per year.

    Plan forecast for 2060 is 40 million riders per year, means HSR will run at 34% of capacity by 2060. Recall that there is no new passenger growth BECAUSE of HSR, it is just population growth, being spread over three markets, as opposed to two. Therefore, if HSR is built, the roads and airports would be able to handle their 2060 load, because it handles that today. So, if HSR is not built, it would seem that all that is really needed is additional road and airport capacity for 40M passengers (the HSR passengers who will not have a HSR system to ride). Therefore if $170B will build road and airport capacity of 116M passengers, then into appears that if we do not build HSR, the State will need to spend 40M/116M or 34% of $170B or about $58B.

QUESTIONS: Should we rely on costs that assumes a maximum capacity of high-speed rail and ignores the existing capacity or future demands for regional travel throughout the state? Should we commit to spending $98 B over the next 20 years on high speed rail to move 40M passengers per year by 2060, or should we be prepared to spend up to $58 B on additional road and airport capacity over the next 50 years if the demand for 40M passengers occurs?

14. California's congestion is concentrated as follows: In Southern California, the congestion is primarily in the San Diego, Los Angeles and Riverside areas. In Northern California, congestion is concentrated in Sacramento, San Jose and the San Francisco bay area.

QUESTION: How will high speed rail, as currently envisioned alleviate the bottlenecks encountered in these metropolitan areas?

15. The plan projects ridership 20-40 years from now using models that grow variables as they exist today. Yet, if you look back 20-40 years, there have been many innovations that would have rendered such projections useless. For example, there was no widespread use of the internet 25 years ago, which has led to teleconferencing and telework that substantially reduces the need for business travel. Transportation costs have been affected by fuel increases, but they have also benefited from new technology and greater fuel efficiency, and budget airlines, which will certainly expand in the next 20-40 years.

QUESTION: Since the business plan does not take into account these types of changes, are we to assume that the transportation plan for California is "back to the future" or 19th century technology of steel and wheels, bicycles and trains as California's goal? Are the Obama fuel requirements by 2025 of 50 mpg predicted to have little to no affect? Are we to operate under the assumption that most Californians will give up their automobiles, and suggesting we forego improving and adding roadways, commuter rail and existing public transit, and that the inter-state airline fares will not compete with HSR travel? What data do we have to believe that the majority of Californians will prefer less-convenient and heavily subsidized mass transit?

16. On Page 12-8 of the Business plan, and as emphasized in several hearings, the CHSRA justifies starting construction with a $5.2 billion expenditure in the Central Valley as an Initial Construction Section because it has "independent utility" outside the completed high speed system and can be used to improve Amtrak's San Joaquin service. Yet the San Joaquin service from Sacramento to Bakersfield (with bus connections elsewhere) has continually and expectedly operated at a loss. Last year, the San Joaquin line received $31.8 million in state subsidies, which grows every year. This year, the state paid an average of $31.45 per passenger, which translates into a nearly 50% subsidy to keep the train operating.

QUESTION: Given fiscal risks to completing the high-speed rail system and, given that current federal/state funding would only allow for completion of your Initial Construction, do you believe that the independent utility of this $5.2 billion expenditure is worth putting the state into more debt, just to marginally improve the operations of an intercity line that also continues to bleed taxpayer money?

17. On page 1-3 of your draft business plan you argue that California must build the HSR because it is the most affordable option rather than undertaking a major freeway/ airport expansion program. This is an apples and oranges comparison because they do not serve the same clients.

QUESTIONS: Was there ever a time that train travel was faster and cheaper than air travel?
Do you have any data that supports the contention that HSR will ever be faster or cheaper than air travel?

18. At the Gordon Transportation Hearing November 15, Mr. Rossi, derided the attendees for their use of the words "Net Operating Profit" and claimed that the business plan referred only to "profit" as meaning the ticket price of roughly $80 minus $40 in expenses. He claimed that there was never any inference that the HSR would have a net operating profit. I'd like to refer you to the Draft 2012 Business Plan:

    page 8-16 Exhibit 8-6; page 8-17 Exhibit 8-7; page 8-20 Exhibit 8-13; page 8-21 Exhibit 8-14; page 8-22 Exhibit 8-15; page 8-23 Exhibit 8-17

QUESTION: Does the business plan have an error? If so, what is the true cost to the state and taxpayers of operating the line at a segment, section, or phase?

19. The first 30 miles of track is supposed to be built from Madera to just south of Fresno, eventually stretching another 100 miles south to Bakersfield as part of the first phase. Proponents estimate that HSR could put 100,000 people to work over the next five years. More than 1 million jobs are expected to be created in the development and operation of the system over the life of the project, the rail authority's press release says.

QUESTIONS: How is the CHSRA calculating job creation? Does the plan consider the immediate jobs that will be lost due to decimation of prime agricultural land as well small businesses along the ROW? How does the CHSRA plan to create jobs in California for Californians when to date, most if not all of the expertise and contractors are outside of California in Asia and Europe?

To summarize, we all share concerns about the future of our state and will be very focused on our present financial issues upon return in 2012. We may differ on whether or not a statewide high speed rail is the answer to our transportation concerns. But we cannot argue financial facts and realities.

If this Committee decides to proceed with approval of the plan and funding of this project you are voting to take huge financial gambles with public funds. We know:

- CHSRA's history of continually rising construction costs – triple 2008 and likely to go further since engineering is only about 15% complete
- There is worldwide evidence of operating subsidies for every HSR system.
- The Federal deficit reduction efforts will deny California much if any more 'free' Federal money.
- The bond markets next year and thereafter will have very few options to lowering our credit rating, making it difficult and/or very expensive to meet our current obligations and long-term borrowing needs.

Members, we have already gambled over a half billion dollars on this project and every working day we lose another $700 Million. That means you've voted to close several schools each week. To reiterate this Legislature:

- Has already paid the CHSRA and its 600 consultants the equivalent of four years of tuitions and fees for 10,000 students at UC;

- Is releasing prisoners to county jails to eliminate overcrowding and reduce costs of incarceration;
- Is deferring and cutting K-14 education as well as the universities;
- Is cutting social services to the elderly and disabled;
- Is asking the taxpayers of California for more money to fund local and basic services; and
- In addition, the credit rating agencies are expected to downgrade California once again, which means higher interest cost of borrowing;

I respectfully request that the Committee not allow $3-4 billion in Federal funds, subject to time-constraints, drive spending of several hundred billion. Please work with me and others to find a realistic, legal and workable long-term solution for the federal funds committed, mindful of the restrictions and safeguards for the spending of Proposition 1A bond funds.

In an age of term limits, long-term planning is difficult, but what we do this year and next, with regard to this project could cripple our state for years to come with debt, or could be utilized to improve systems already in place, and improve our existing rail network. Decision made with regard to high speed rail in California will definitely shape the future of our state.

Several copies of this letter have been submitted to the California High Speed Rail Authority and I am requesting that the answers to the questions posed on the November 1, 2011 Business Plan be submitted back to this Committee and me in writing.

Sincerely,

Diane L. Harkey
Assemblywoman 73 rd AD

Cc:
Assembly Transportation Committee Members
Assembly Transportation Committee Staff
Thomas Umberg, Chairman, California High Speed Rail Authority
Members, California High Speed Rail Authority
Anna Matosantos, Finance Director for Governor Brown
Mac Taylor, Legislative Analyst
Patricia C. Bates, Chair, Orange County Transportation Authority
Orange County Transportation Authority Boardmembers

Mr. MILLER OF CALIFORNIA. Thank you, sir. I am just concerned by the 2012 draft business plan. I don't think many of the issues have been addressed. We might agree or disagree on whether high-speed rail will answer California's transportation needs. But under the current fiscal climate we have out there, it doesn't make sense to me. It doesn't make sense where the first leg would go. I don't know how you would get this system in place in a viable way. And once it is there, how do we fund it? The revenues generated by it are not going to be sufficient, including California, based on the current fiscal situation, and it cannot afford to continue to fund the shortfall that is in it.

So, I am looking forward to the witnesses and your opinions. And I know we have different parts of California here, so I am looking forward to what the different parts have to say. And I thank you for your time, Mr. Chairman, and yield back.

Mr. MICA. Well, thank you. I am going to switch—Ms. Brown wasn't here, and I need to hear from our ranking members. I will go to Ms. Brown, and then we will go back to Mr. Shuster, and then we will go back to the California delegation.

Ms. Brown, you are recognized. Welcome.

Ms. BROWN. Thank you, Mr. Chairman, and here we go again. The Republicans didn't vote for high-speed rail funding. They cut future funding. Yet, we are holding our second full committee hearing on this subject in 2 weeks. We are ending a year of work, and still there is no surface transportation bill, no FAA bill, no water resources bill. This committee is fiddling, while the United States transportation and infrastructure is burning.

I am glad that the current leadership of this committee and the House were not in charge when Eisenhower developed the interstate highway system. We would have had hearing after hearing, talking about what a mistake it was to connect the States, how the roads would lead to nowhere, how nobody would ever drive from State to State, and how we just couldn't afford it. We would also be a third world country, instead of the leader of the free world. Thankfully, we had elected officials with visions in those days. Our committee used to build infrastructure projects and put people to work. That is why I have served on this committee for 19 years.

This week the House and Senate passed a bipartisan pipeline bill that improves safety while allowing the industry to continue serving its customers.

If this committee is going to hold hearings about the infrastructure in California, we should be holding a hearing to find out why the State is building the San Francisco Oakland Bay Bridge with 5,300 tons of inferior Chinese steel. Maybe some of the people testifying today can explain why the State of California's largest public works project in history will be stamped "Made in China," while steel workers right here in America go without work. We certainly can't blame the EPA for that one.

According to the United States Census Bureau projection, the population of California will reach 60 million by the year 2050. This explosion in population will result in the crippling of the aging public transportation infrastructure already strained under the weight of its own capacity. California, 170 miles of roads, are the busiest in the Nation.

As a result, the statewide cost of the time lost and fuel wasted in traffic congestion is estimated at $18.7 billion annually. Travelers on California's interstates are increasing five times faster than capacity. This is a formula for disaster, and anyone who has driven in California's major cities knows this all too well, and I was recently there, and I can attest to that.

Looking at air travel, the busiest short-haul air market in the country is between Los Angeles and San Francisco, with 100 daily flights, and more than 5 million passengers annually. This is larger than the New York to Washington, DC, market. In fact, the LA-San Francisco air route is one of the most delayed-prone in the Nation, with approximately one out of every four flights delayed by an hour.

What is the solution to the congestion? According to the California High-Speed Authority, to achieve the same capacity as the San Francisco-Los Angeles high-speed rail system, California would need to construct 2,300 new lane miles in highway, 150 additional gates at the California airport, and 4 new airport runways, to the tune of $114 billion over the next 20 years, which is equivalent to $171 billion, with inflation, far more than it would cost to develop the planned high-speed rail system.

I hope that during today's hearing the panelists and the Members who oppose the development of the high-speed rail in California will give us some details regarding how they intend to finance and address the critical needs of moving people, goods, and services in the State that is growing in population each year.

With that, I welcome all of the panelists, and I am looking forward to hearing their testimony.

Mr. MICA. I thank the gentlelady. The chairman of the rail subcommittee, Mr. Shuster.

Mr. SHUSTER. Thank you, Mr. Chairman, and thank you for holding this hearing today. I also would like to welcome my five colleagues from California. Welcome today. Look forward to hearing your testimony on a subject that we have had two hearings—this is our second hearing—and the reason is because some of us believe this is a extremely poor investment in the transportation system.

And I would like to remind my partner on the railroad subcommittee that 4 years ago when you were in the majority you didn't pass out a highway bill. I believe we are going to pass one out of this committee early next year. And I would also like to remind her that there were $800 billion—I believe most of it squandered—that we could have used for a highway bill instead, I think it was somewhere around $68 billion—we could have spent $200 billion, $300 billion. The needs in this country are $500 billion or $600 billion strong.

So, again, when you want to criticize our side, I think you need to take a step back and look what that stimulus bill didn't produce.

And now here we are today, talking about a project in California. I think the chairman has laid out all the statistics, and I am sure we will hear from Mr. Denham on those statistics, so I won't go over those. But I will offer an alternative.

Well, first of all, I just saw a recent poll that said that 59 percent of Californians would reject the bond package that they passed some time ago. And Secretary LaHood was just here a week ago saying that this is what the people of California want. Well, it appears this is not what they want. They are reassessing. And looking at the escalation in cost, that is a wise thing for people to do when they see something going out of control.

But also, I would like to offer an alternative solution. There are tremendous needs in California in the transportation system. I have traveled to southern California on a few occasions, and become well acquainted with the problems in southern California. I met with the folks there and been briefed a couple of times about the needs of rail in southern California. We really should be starting on high-speed rail or higher speed rails, improved passenger rails in San Francisco, the Bay Area, and also in southern California, not starting in the center of the State, where there are no congestion problems at this time.

I have a list of 30 projects here that are half of the money that would fund these projects from San Diego to Los Angeles. It would probably, estimates are, double ridership in southern California. It would reduce the trip time from 2 hours and 40 minutes to 2 hours if these projects were put in place. And these projects can all be completed thereabouts—around 2017, which falls in line with the timing on the stimulus money for these projects.

And you have tremendous congestion. As my colleague from California said, 37 million people, there are almost 20 million or a little over 20 million in southern California. So when I look at the need for improved passenger rail in this country, that is one of the places. The Northeast Corridor has tremendous population density, and of course, southern California, with high population density.

So, you know, if we are going to invest money, let's invest it wisely. Let's invest it in places that are going to have significant benefit by that investment. And again, I think that looking at southern California first makes a lot more sense than to spend $3 billion of Federal taxpayer dollars added on to whatever the ending number is going to be. I am sure—it is $90 billion today. By the time this thing gets completed it will probably be $120 billion, $130 billion.

So, this is a timely hearing. I look forward to hearing from my colleagues and, of course, the other panelists today. And, Mr. Chairman, thank you much. Thank you for having this hearing.

Mr. MICA. Thank you, Chairman Shuster. We will now recognize—we will go back to the California delegation on the committee. Mrs. Napolitano is next.

Mrs. NAPOLITANO. Thank you, Mr. Chair. And thank you for holding this second meeting on this important topic. And I associate myself with the remarks of Ranking Member Brown's statement, and also with the last statement made by my colleague, Mr. Shuster, in regard to being in southern California, the need where southern California has, I would say, 13 million, about maybe a third of California's population. And that is just LA County, not counting San Diego, and the rest of the counties around there, San Bernardino and Riverside.

My concerns are with the initial investment of the California high-speed rail project. They spent initial investment in urban projects that assist high-speed rail, the commuter and rail congestion. That approach would immediately solve major transportation problems in California, as we work towards a full high-speed rail system. Get me. I am not against the high-speed rail. I am against the projects funding being inadequate, one.

Two, it will take away from local projects of transportation, eventually. And we all know California has a great distinction for taking money from bond monies and everything that was supposed to be squirreled away for a specific topic. I can name a few, but I won't go into that.

The high-speed rail separation should be made first, because that will help not only speed the delivery of services to the rest of the Nation, but will create less impact on the local, well, environment, on the road rage, on having to sit at rail separations. It is going to use the urban rail corridors that need to be grade separated, and that is a priority. They will alleviate current problems of congestion, pollution, safety hazards. And if it is delayed due to budget concerns, we will at least have the grade separations in place.

My other worry is that, at the current cost, the high cost of increase of going from $48 to $98 billion, is who is going to pay for it? Most Californians will not be able to ride the high-speed rail, if it is projected at $150 1-way ticket to go to southern—from southern California to, say, San Francisco or Sacramento. Why are we all paying to build high-speed rail if only the wealthy can afford a ticket? My constituents need more mass rail transit, safer, faster, and cheaper commute. This is where we should be focusing our initial investment.

The Rail Authority has in the past, since its inception, done a very, very lousy job of being transparent to the cities, to my voters, and of course, to the California delegation. All my cities have concerns. We have held meetings with the High-Speed Rail Authority. And yet I don't believe there has been any follow-up, nor has there been satisfaction to be able to allay some of the fears my communities have.

The issues associated is eminent domain, being next to homes, businesses, demolishing of current transit centers and passenger rail service. They—not quite the thing that you would expect of an authority that is trying to get favor of passage.

I am in favor, again, of high-speed rail, just not at the expense of the working-class rail transit services delivery in a county of over 12 million people. That is a third of the population of California, and that is just the county, again.

I hope issues are addressed before they start building the system, and that there will be more transparency in regard to breakdown of the actual cost of the faces themselves.

Thank you, Mr. Chair, and I yield back.

Mr. MICA. Thank the gentlelady and now recognize another California member of the committee, Mr. Denham.

Mr. DENHAM. Thank you, Mr. Chairman, and thank you for once again being willing to discuss this issue. When I was first appointed to this committee, this was one of the issues that I talked to you about, and asked you to come to Fresno and take a look at our transportation needs. You did that, as well as holding a field hearing.

And I also want to thank Chairman Shuster, who chairs the rail committee, also willing to do the same, coming to Fresno, seeing our local needs, seeing our farming situation, seeing the high volume of traffic that we have coming in—out of our ag community. So, thank you both for holding this hearing, as well as previous times that we have held things within my district.

I believe in a balanced approach to transportation. We have to have a highway bill. We need to improve our highway, as well as our goods movement. We need to improve rail, as well as look towards the future of high-speed rail.

Ms. Brown, I will correct you that there are Republicans that vote for high-speed rail. I was one of them. The bill went through the House, went through the State Assembly, came over to the State Senate, and had 26 votes, needed 27.

And there are some of you in this room that reassured me time and time again that if I was that 27th vote to get the bond on the ballot, that we would have safeguards in place. No ongoing subsidies. The project would be fully funded with guaranteed funding. We would also have guaranteed investors, which aren't here today.

And lastly, and more importantly from me, the final thing was to make sure that farmers, our number one industry in the Central Valley, would be protected.

Now we are in a situation where the LAO has come out and said the bonds would not be sold. And I want to make sure that that doesn't happen if those reassurances aren't met. So I would like to put a few things up here on the screen right now.

Dealing with Prop 1A, the $9.95 billion that California voters are now on the hook for. Starts off with "The plan shall include." Part A, "A usable segment." The initial segment right now that we are talking about is north Fresno to south Fresno, $5.2 billion: $3.3 billion coming out of the stimulus package that was supposed to be shovel-ready projects; $1.9 billion coming from Prop 1A, which is yet to be sold.

The operating segment, which is the real segment, is actually $30 billion without any guaranteed funding. Part C talks about "The plan shall include full cost of constructing a useable segment," which again is $30 billion. Last week we had Secretary LaHood here talking about the cost. That was one of things, was that I wanted to see a guaranteed funding. He was unable to not only present that to me, but his quote was, "The costs are today's costs. The $98.5 billion that is projected today are today's costs. And those costs could continue to change." That is his quote.

Next slide, the sources of all funds to be invested in the corridor for the usable segment. Again, we are talking about $9.95 billion, the $3.6 billion that came out of the stimulus package for shovel-ready projects 3 years ago, still no shovels in the ground. That leaves $83 billion missing. Where are the private investors to pick up that cost?

Now, if the President is worried about the 15—is guaranteeing the $53 billion over this next 6 years which he has in his package, that has to come through Congress as an appropriation.

"H, the corridor for the usable segment thereof, would be suitable and ready for high-speed train operation." Again, the construction segment would not be suitable for high speed. And, "K, the authority has completed all necessary project level environmental clearances." Is the President willing to waive NEPA? Is the Governor ready to waive CEQA? And are there any environmental processes already cleared? They have not.

And finally, prior to committing any proceeds of the bonds described, we have to have identified sources, private parties, other assurances received from Government agencies which haven't yet arrived.

Mr. MICA. Thank the gentleman. And I guess the last Member of the California delegation on our committee, Ms. Richardson.

Ms. RICHARDSON. Thank you, Mr. Chairman. I had an interesting experience last night. I attended a bipartisan dinner. So I am going to put a little, I think, calm hopefully in this meeting today.

First of all, I think to call the Central Valley cowpatch fruits and vegetables, you know, it is the largest agriculture-producing State in the United States. It also produces, I believe, 40 percent of the food for this United States country. And I think it has also produced a great Member in Mr. Denham, Mr. Cardoza, Mr. Costa, and my own former boss, Lieutenant Governor Cruz Bustamante, and 4 million Americans. So let's, first of all, keep the Central Valley in perspective.

I had an initial briefing. I am looking forward to the presentations today. And I think many of us, instead of the hype, will find very good answers to the questions.

I do want to say, though, for the record, that to claim speed as a question in California, when the Northeast Corridor currently only averages 83 miles per hour, it is really not right. So let's tone down, I think, the rhetoric and really look at the fairness of the project in this country.

As a member of the Railroad, Pipelines, and Hazardous Materials Subcommittee and cochair of the Congressional Caucus on California High-Speed Rail, and vice chair of the Congressional Bicameral Caucus, I think right now, when we look at the fact that China is operating 13 high-speed railways with more than 20 under construction, and by 2020 their network will cover nearly 10,000 miles, we must re-evaluate our conversations.

The United States didn't develop a space program or a national highway system with the words "can't," and some of the words I have heard this morning.

The recently released California High-Speed Rail Authority draft business plan found that without high-speed rail, it would cost in California $171 billion to address the needs of California's growing population. To achieve the same capacity as high-speed rail of what it would provide, California would need to construct 2,300 new lanes of—2,300 new miles of highway, 115 additional gates at California airports, and 4 airport runways. Let's talk about CEQA and NEPA with that.

There have also been many concerns echoed by my colleagues about the cost of where the funding would come from. Well, just last week I didn't hear many people talking about how we were going to pay for that cost with the Northeast Corridor. In fact, my colleague—and I won't use any names—in July in Roll Call said that the Northeast Corridor is expected to cost $117 billion. So why is the sudden concern and attack with California?

You know, when I think we are bickering about east coast and west coast, it seems like we have stepped back to the 1920s. This committee has tried hard and has made a case for the Northeast Corridor, and I will support you with that. But to turn around and kick to the curb California is really only doing half of the tail.

The Northeast Corridor serves the sixth largest economy in the world with a GDP of $2.5 trillion. California alone—Northeast Corridor is more than one State—California alone has the ninth highest GDP in the world of $1.9 trillion.

So, when we talk about winners and losers, east coast, west coast, let's not take a step back. We have an opportunity to leave this generation with a world-class high-speed rail system. And we should really be playing with the American people, and not politics.

And with that, Mr. Chairman, I ask unanimous consent to submit statements from my fellow California colleagues who could not be here today, as well as a letter from the High Speed Rail Association, and the California Assembly.

Mr. MICA. Without objection, the——

Ms. RICHARDSON. Thank you sir, I yield back the balance of my time.

Mr. MICA [continuing]. Identified items will be made part of the record.

[Please see the table of contents section entitled, "Prepared Statements Submitted by Members of Congress" for statements from the following Members of Congress from the State of California: Hon. Joe Baca, Hon. Anna G. Eshoo, Hon. Barbara Lee, Hon. Zoe Lofgren, and Hon. Adam B. Schiff, as well as Hon. Laura Richardson.]

[The letters from the US High Speed Rail Association and the California Assembly follow:]

U S H S R

Chairman John Mica
House Transportation and Infrastructure Committee

12/15/11

Chairman Mica,

We commend you and the Committee for holding this hearing continuing the focus on developing true high speed rail (HSR) in America as another transportation option. We submit this letter for the record.

The US High Speed Rail Association (USHSR) supports the development of true high speed rail in California, the Northeast Corridor, and several others to expand our mobility options. The nation's current transportation options are deteriorating rapidly, creating major problems nationwide:

- Severe highway congestion in every region of America, getting worse each year
- Aviation in continuous decline with increased cancellations, delays, & bankruptcies
- Permanently rising transportation fuel costs (oil currently around $100 per barrel)

America desperately needs additional options for moving people and goods around the nation. Our roads and airports were built when oil was $5 per barrel. Today, America struggles to keep these running with oil now at $100 per barrel, and rising. Experts predict oil will surpass $200 per barrel this decade, establishing a real urgency to constructing HSR in multiple corridors as quickly as possible.

Businesses across America are paying the price every day in lost productivity for a transportation system that gets more expensive as the service levels worsen. Our growing congestion and rising fuel prices combine to make it more costly to do business in America. Congestion delays alone cost more than $156 billion each year in wasted time and fuel stuck on our highways and runways. This 'hardening of the nation's arteries' - makes America less competitive with nations that have HSR - the only form of transportation not subject to congestion.

Investing in high speed rail as part of a balanced transportation system is smart business for America. HSR costs less to build than roads and airports. High speed rail delivers:

- Proven technology with a 45 year track record; Highly successful everywhere it's built
- Safely transporting billions of passengers
- Relieving congestion, saving time, money and fuel
- Creates jobs, economic development, efficiency, and real estate development

HSR is currently in operation in more than 20 countries (including the UK, France, Germany, Belgium, Spain, Italy, Japan, China, Korea, and Taiwan). HSR is under construction in more than 10 countries (including China, Spain, and Italy); and in development in another 14 countries (including Saudi Arabia, Qatar, Turkey, Morocco, Russia, Poland, Portugal, South Africa, India, Argentina, and Brazil). HSR has been in operation in Japan for 45 years carrying more than 9 billion passengers without a single fatality.

High Speed Rail Program Extremely Important for America

America is struggling from growing congestion, aviation decline, & rising fuel prices – High Speed Rail solves all 3

- Congestion Relief – America suffers from paralyzing congestion nationwide, growing worse every day, costing over $156 billion each year in wasted time and fuel
- Mobility – HSR delivers a new form of very high-capacity, fast transportation - never subject to congestion delays (a single HSR line carries the equivalent of a 10-lane freeway); HSR also decongests highways and runways
- Time Savings – HSR delivers passengers quickly to their destinations, on-time, every time
- Business Friendly Transportation – Fast, convenient, room to work, no restrictions on electronic devices
- American Jobs – HSR creates millions of jobs in multiple sectors
- American Manufacturing – HSR develops new industries and ramps up U.S. manufacturing
- Real Estate Renewal – HSR will be the catalyst for the next national real estate boom
- Tourism Renewal – HSR promotes travel and tourism
- Safety – HSR is the safest form of transportation possible
- Energy Savings / Security – 10 times more efficient than flying/driving; Lowers dependence on foreign oil
- Sustainability – HSR is the greenest form of transportation, and can be powered by renewables
- Profitable – HSR operations are profitable in every country around the world, earning billions

California High Speed Rail – Special Project of National Significance

- Most important project in the country, worthy of federal funding, ready for bidding, jobs created already
- National demonstration project with domestic HSR technology development potential (Silicon Valley, etc.)
- Majority of project will be *'true HSR'* – 220 mph trains; First location in America demonstrating true HSR
- High investor interest, very high potential ridership/profits once connected to major cities
- California is the 8th largest economy in the world; 13% of the U.S. economy
- California has the worst congestion in the nation - physically impossible to expand state's highways
- Statewide HSR project meets clean air requirements, environmental quality, renewable energy goals

Northeast Corridor High Speed Rail - Project of National Significance

- Currently busiest rail corridor in America
- Well established ridership and support networks
- Early planning stages; Built in incremental upgrades over time
- True HSR reached incrementally segment by segment

Recommendations for the National HSR Program

- The HSR program is of national importance – keep it going with initial seed investment
- Focus on advancing first two projects simultaneously: 1. California; 2. Northeast Corridor
- Fund first phase of each project to launch systems
- Establish incentives and conditions to attract private investors for second phase
- Set up a national competition between the projects – East Coast HSR vs. West Coast HSR
- Dedicate part of the Federal Surface Transportation funding each year to HSR, starting in 2012
- Develop permanent funding sources for national HSR program, grow national network each year

Additional discussions to be held at the ***High Speed Rail Summit***, February 28-March 1, Washington, DC

US High Speed Rail Association
10 G Street NE, Suite 710, Washington, DC 20002 | 202.248.5001 | www.ushsr.com

STATE CAPITOL
P.O. BOX 942849
SACRAMENTO, CA 94249-0115

California Legislature

October 19, 2009

Mr. Ray LaHood, Secretary
U.S. Department of Transportation
1200 New Jersey Ave, SE
Washington, DC 20590

Mr. Joseph C. Szabo, Administrator
Federal Railroad Administration
1200 New Jersey Avenue, SE
Washington, DC 20590

RE: California's Application for ARRA Funding - High Speed Rail Grants

Dear Secretary LaHood and Administrator Szabo:

As Members of the California Legislature, we write in strong support of California's high-speed passenger rail application for federal stimulus funding. In February 2009, Congress passed and the President signed the American Recovery and Reinvestment Act (ARRA), which included $8 billion dollars for competitive high-speed rail grants.

Full funding of our application, along with the state's dollar-for-dollar matching funds, will put California's economy on the fast track to recovery by creating approximately **130,000 new jobs throughout the state.**

California is best positioned to deliver the nation's first High Speed Train for the following reasons:

1) **Passage of High Speed Rail Bond measure** - California is the only state in the nation to have passed a high-speed rail bond measure, Proposition 1A, which demonstrates the public's commitment to funding the nation's first high-speed, 220 mile-per-hour train system. We have a public commitment of $9.95 billion in new funding which provides a guarantee to the private sector that if they put money into California's High Speed Train project, it will be successful and it will be profitable. This new money is in addition to the $247 million the state has invested in the project over the past dozen years.

2) **Dollar for dollar match** - California's application will provide a dollar for dollar match of federal stimulus funds from the passage of Proposition 1A, the High-Speed Rail Act. California is requesting $4.7 billion dollars in ARRA funding. If approved, this allocation would bring the total investment for California's high speed train to $9.4

billion – nearly one third of the dollars required for total completion of Phase 1 (520 miles of the total 800 mile system) from San Francisco to Anaheim.

3) **World-class high speeds of 220 miles per hour** - California's high speed train system is the only nation-wide project offering world-class high speeds of 220 miles per hour. These high speeds are necessary in order to provide passenger service which is competitive with airline service with regard to travel times and ticket prices.

4) **FRA approval** - California is also the only state in the nation which has a plan already approved by the Federal Railroad Administration (FRA) in July, 2008. California has thirteen years of engineering and design work in place. We are ready to serve as a technological and business model for the rest of the nation.

5) **Memorandums of Understanding with other countries** - California has entered into "Memorandums of Understanding" with Spain, France, Japan, Germany, and Italy - countries which have a proven track record of building and operating successful high-speed train systems. These countries will share their expertise and experience with California in establishing safety guidelines, utilizing the most advanced high-speed rail equipment and building a profitable high speed train system.

6) **Oversight & financial accountability** - Proposition 1A ensures protection of federal, state, and private financial investments by establishing additional oversight and accountability standards. Prop. 1A requires the following:
    a) Creation of a peer review committee;
    b) Creation of a pre-appropriation review process;
    c) Creation of a pre-expenditure review process;
    d) Independent review of financing plans; and
    e) Independent audit of all expenditures.

7) **Project delivery** – California's entire 800 mile system has a completed and certified program-level environmental review document. California has partnered with the FRA in these studies and efforts. The State is ready to move forward on segments that can be operational and produce revenue through agreements with Caltrain in the San Francisco to San Jose segment, AMTRAK in the Central Valley, and Metrolink in the Los Angeles to Anaheim segment, until such time as the project's Phase 1 and ultimately the full 800 mile high speed train system are completed. As described in the State's ARRA funding application, four project sections are targeted to complete environmental review by September 2011 and to start construction by September 2012, with construction completion by September 2017.

The High Speed Rail Authority has entered in Memorandums of Understanding and developed joint partnerships and working agreements with local and regional transportation agencies and passenger rail operators, and is in the process of working with local governments to identify matching local financial support. In addition, the Authority is working with several railroads which own right-of-way along the proposed high speed rail corridors.

California is unified behind its high-speed train project. The project received bi-partisan support from the Legislature, the Governor, and California voters. The enclosed letter shows that the

California Labor Federation, California Chamber of Commerce, and the Sierra Club of California have all come together in support of our high speed train project.

California is fully prepared to serve as a technological and business model and leader for the res. of the nation, and bring the Administration's vision of developing high speed rail in America to fruition. We urge you to fully fund California's high-speed rail application.

Sincerely,

Karen Bass
Speaker of the Assembly

Darrell Steinberg
Senate President Pro Tem

Cathleen Galgiani
Cathleen Galgiani
Assemblymember, 17th District

Fiona Ma - AD 12
Majority Whip

Mike Davis

Jared Huffman

Nancy Skinner

Carol Liu

Elaine Alquist

Warren T. Furutani

Wilmer Amina Carter

Gloria Romero

Anthony J. Portantino

Dave Cogdill

Bob Blumenfield

Mark

Bob Huff

Bonnie Lowenthal

Jenny Oropeza

Jim Beall Jr

Mary Salas

Jerry Hill

Mariko Yamada

Tom Ammiano

Paul Fong

Tom Torlakson

Joan Buchanan

Paul Krekorian

Mary Salas

Jim Nielsen

Mike Feuer

Wesley Chesbro

Kevin de León

Mike Eng

Alyson L. Huber

Mike Villines

Doug D. Gilmore

Jeff Miller

Dave Jones

Hector DeLaTorre

Dan Logue

Connie Conway

Jim Cox

Anna M. Caballero

Lori Saldaña

Tony Mendoza

ADAMS

Van Tran

Jean Fuller

Noreen Evans

Ted W. Lieu

Loni Hancock

Roy Ashburn

Lois Wolk

Christine Kehoe

Alan Lowenthal

Patricia Wiggins

Gilbert Cedillo

Lou Correa

Mark Leno

Bill Emmerson

List of Signatories in Order of Appearance

Karen Bass, Speaker of the Assembly (47th District)
Darrell Steinberg, Senate President Pro Tempore (6th District)
Cathleen Galgiani, Assemblymember, 17th District
Fiona Ma, Assemblymember, 12th District
Mike Davis, Assemblymember, 48th District
Jared Huffman, Assemblymember, 6th District
Juan Arambula, Assemblymember, 31st District
Nancy Skinner, Assemblymember, 14th District
Carol Liu, Senator, 21st District
Elaine Alquist, Senator, 13th District
Warren Furutani, Assemblymember, 55th District
Wilmer Amina Carter, Assemblymember, 62nd District
Gloria Romero, Senator, 24th District
Anthony Portantino, Assemblymember, 44th District
Cameron Smyth, Assemblymember, 38th District
Dave Cogdill, Senator, 14th District
Bob Blumenfield, Assemblymember, 40th District
Mark DeSaulnier, Senator, 7th District
Bob Huff, Senator, 29th District
Ira Ruskin, Assemblymember, 21st District
Bonnie Lowenthal, Assemblymember, 54th District
Jose Solorio, Assemblymember, 69th District
Jenny Oropeza, Senator, 28th District
Jim Beall, Jr., Assemblymember, 24th District
Mary Salas, Assemblymember, 79th District
Jerry Hill, Assemblymember, 19th District
Mariko Yamada, Assemblymember, 8th District
Tom Ammiano, Assemblymember, 13th District
Paul Fong, Assemblymember, 22nd District
Marty Block, Assemblymember, 78th District
Tom Torlakson, Assemblymember, 11th District
Joan Buchanan, Assemblymember, 15th District
Paul Cook, Assemblymember, 65th District
Steven Bradford, Assemblymember, 51st District
Paul Krekorian, Assemblymember, 43th District
Alberto Torrico, Assemblymember, 20th District
Pedro Nava, Assemblymember, 35th District
Jim Nielsen, Assemblymember, 2nd District
Mike Feuer, Assemblymember, 42nd District
Wesley Chesbro, Assemblymember, 1st District
Kevin De León, Assemblymember, 45th District
Mike Eng, Assemblymember, 49th District
Alyson Huber, Assemblymember, 10th District
Mike Villines, Assemblymember, 29th District
Danny Gilmore, Assemblymember, 30th District
Jeff Miller, Assemblymember, 71st District

Sandré Swanson, Assemblymember, 16th District
Dave Jones, Assemblymember, 9th District
Ed Hernandez, Assemblymember, 57th District
Hector De La Torre, Assemblymember, 50th District
Steve Knight, Assemblymember, 36th District
Dan Logue, Assemblymember, 3rd District
Felipe Fuentes, Assemblymember, 39th District
Norma Torres, Assemblymember, 61st District
Mary Hayashi, Assemblymember, 18th District
Bill Berryhill, Assemblymember, 26th District
Isadore Hall III, Assemblymember, 52nd District
Curt Hagman, Assemblymember, 60th District
Connie Conway, Assemblymember, 34th District
Joe Coto, Assemblymember, 23rd District
Anna Caballero, Assemblymember, 28th District
Lori Saldaña, Assemblymember, 78th District
Tony Mendoza, Assemblymember, 56th District
Charles Calderon, Assemblymember, 58th District
Anthony Adams, Assemblymember, 59th District
John A. Pérez, Assemblymember, 46th District
Van Tran, Assemblymember, 68th District
Bill Monning, Assemblymember, 27th District
Kevin Jeffries, Assemblymember, 66th District
Brian Nestande, Assemblymember, 64th District
Julia Brownley, Assemblymember, 41st District
Jean Fuller, Assemblymember, 32nd District
Noreen Evans, Assemblymember, 7th District
Martin Garrick, Assemblymember, 74th District
Ted Lieu, Assemblymember, 53rd District
Nathan Fletcher, Assemblymember, 75th District
Loni Hancock, Senator, 9th District
Abel Maldonado, Senator, 15th District
Jeff Denham, Senator, 12th District
Mark Wyland, Senator, 38th District
Roy Ashburn, Senator, 18th District
Lois Wolk, Senator, 5th District
Christine Kehoe, Senator, 39th District
Alan Lowenthal, Senator, 27th District
Patricia Wiggins, Senator, 2nd District
Curren Price, Senator, 26th District
Gilbert Cedillo, Senator, 22nd District
Lou Correa, Senator, 34th District
Dean Florez, Senator, 16th District
Tom Berryhill, Assemblymember, 25th District
Roderick Wright, Senator, 25th District
Mark Leno, Senator, 3rd District
Diane Harkey, Assemblymember, 73rd District
Bill Emmerson, Assemblymember, 63rd District

List of Signatories in Alphabetical Order

Anthony Adams, Assemblymember, 59th District
Elaine Alquist, Senator, 13th District
Tom Ammiano, Assemblymember, 13th District
Juan Arambula, Assemblymember, 31st District
Roy Ashburn, Senator, 18th District
Karen Bass, Speaker of the Assembly, 47th District
Bill Berryhill, Assemblymember, 26th District
Tom Berryhill, Assemblymember, 25th District
Marty Block, Assemblymember, 78th District
Bob Blumenfield, Assemblymember, 40th District
Steven Bradford, Assemblymember, 51st District
Julia Brownley, Assemblymember, 41st District
Joan Buchanan, Assemblymember, 15th District
Anna Caballero, Assemblymember, 28th District
Charles Calderon, Assemblymember, 58th District
Wilmer Amina Carter, Assemblymember, 62nd District
Gilbert Cedillo, Senator, 22nd District
Wesley Chesbro, Assemblymember, 1st District
Dave Cogdill, Senator, 14th District
Connie Conway, Assemblymember, 34th District
Paul Cook, Assemblymember, 65th District
Lou Correa, Senator, 34th District
Joe Coto, Assemblymember, 23rd District
Mike Davis, Assemblymember, 48th District
Hector De La Torre, Assemblymember, 50th District
Kevin De León, Assemblymember, 45th District
Jeff Denham, Senator, 12th District
Mark DeSaulnier, Senator, 7th District
Bill Emmerson, Assemblymember, 63rd District
Mike Eng, Assemblymember, 49th District
Noreen Evans, Assemblymember, 7th District
Mike Feuer, Assemblymember, 42nd District
Nathan Fletcher, Assemblymember, 75th District
Dean Florez, Senator, 16th District
Paul Fong, Assemblymember, 22nd District
Felipe Fuentes, Assemblymember, 39th District
Jean Fuller, Assemblymember, 32nd District
Warren Furutani, Assemblymember, 55th District
Cathleen Galgiani, Assemblymember, 17th District
Martin Garrick, Assemblymember, 74th District
Danny Gilmore, Assemblymember, 30th District
Curt Hagman, Assemblymember, 60th District
Isadore Hall III, Assemblymember, 52nd District
Loni Hancock, Senator, 9th District
Diane Harkey, Assemblymember, 73rd District
Mary Hayashi, Assemblymember, 18th District

Ed Hernandez, Assemblymember, 57th District
Jerry Hill, Assemblymember, 19th District
Alyson Huber, Assemblymember, 10th District
Bob Huff, Senator, 29th District
Jared Huffman, Assemblymember, 6th District
Kevin Jeffries, Assemblymember, 66th District
Dave Jones, Assemblymember, 9th District
Christine Kehoe, Senator, 39th District
Steve Knight, Assemblymember, 36th District
Paul Krekorian, Assemblymember, 43rd District
Mark Leno, Senator, 3rd District
Ted Lieu, Assemblymember, 53rd District
Carol Liu, Senator, 21st District
Dan Logue, Assemblymember, 3rd District
Alan Lowenthal, Senator, 27th District
Bonnie Lowenthal, Assemblymember, 54th District
Fiona Ma, Assemblymember, 12th District
Abel Maldonado, Senator, 15th District
Tony Mendoza, Assemblymember, 56th District
Jeff Miller, Assemblymember, 71st District
Bill Monning, Assemblymember, 27th District
Pedro Nava, Assemblymember, 35th District
Brian Nestande, Assemblymember, 64th District
Jim Nielsen, Assemblymember, 2nd District
Jenny Oropeza, Senator, 28th District
John A. Pérez, Assemblymember, 46th District
Anthony Portantino, Assemblymember, 44th District
Curren Price, Senator, 26th District
Gloria Romero, Senator, 24th District
Ira Ruskin, Assemblymember, 21st District
Mary Salas, Assemblymember, 79th District
Lori Saldaña, Assemblymember, 76th District
Nancy Skinner, Assemblymember, 14th District
Cameron Smyth, Assemblymember, 38th District
Jose Solorio, Assemblymember, 69th District
Darrell Steinberg, Senate President Pro Tem, 6th District
Sandré Swanson, Assemblymember, 16th District
Tom Torlakson, Assemblymember, 11th District
Norma Torres, Assemblymember, 61st District
Alberto Torrico, Assemblymember, 20th District
Van Tran, Assemblymember, 68th District
Mike Villines, Assemblymember, 29th District
Patricia Wiggins, Senator, 2nd District
Lois Wolk, Senator, 5th District
Roderick Wright, Senator, 25th District
Mark Wyland, Senator, 38th District
Mariko Yamada, Assemblymember, 8th District

Mr. MICA. Now, if we have short statements from any other members on the committee, we will go to the Republican side first. Mr. Bucshon? OK. Anyone on our side? Any quick—Mr. Boswell? And we are trying to get to the panel, but you are welcome.

Mr. BOSWELL. I will be very short. I have no prepared statement, I just have a feeling. And I feel strong about it. And Ms. Brown and Mr. Shuster, I commend you both for your working to get what you have done. You are both capable, you are committed, and dedicated, and I thank you for it. And let's keep working together.

I often say—because I am from the Midwest—we are a United States. We are connected from New York, California, we got to go—you know, we got to stay together. It works all ways, it works both ways.

Now, we think we are sort of the corn belt, and so—in livestock, and so on. I continue to say that California is the leading agriculture State, fruits and vegetables. We talk about that a lot, and we have got to think about those—I have a son-in-law that is an over-the-road trucker, and he tells me about what it is like to be out in California. It is tough. We all know that. So, we need to really do something. And I want to be supportive of it. I think we all do.

And I am tired of the fact—and maybe you can tell us about it, because I don't have any issue with anybody on our panel, none of you. You know, we have got to make things—jobs America. We all know that. We talk it to death. But we have got to put our trades, our steel workers, our machinists, our carpenters are available, and get those materials, and—you know, it needs to be made in America. So I hope you can help us in your comments about some of that, and why—so on.

But you know, we have got to put our people back to work. And I don't make no apology, and I don't think any of us do, you know. If we are going to do projects like this, why can't we require that? I am sure the Chinese do, if you are spending Federal money. In fact, you know they do. So let's do the same thing. You know, fair is fair. And let's do that.

So, I yield back, Mr. Chairman, and thank you for having this hearing. And we need to respond to these things. These are investments with a known return. Read the facts. And let's do the things that will pay us back, and let's put Americans back to work in the process. Thank you very much. I yield back.

Mr. MICA. Thank the gentleman. And now, what we will do is go to our panel of Members who have joined us who are not on the committee, and have requested to testify today. And we will do it in order of seniority.

And I will recognize Mr. Cardoza, who represents the 18th District first.

Welcome, and you are recognized.

TESTIMONY OF HON. DENNIS A. CARDOZA, A REPRESENTATIVE IN CONGRESS FROM CALIFORNIA'S 18TH DISTRICT; HON. DEVIN NUNES, A REPRESENTATIVE IN CONGRESS FROM CALIFORNIA'S 21ST DISTRICT; HON. JIM COSTA, A REPRESENTATIVE IN CONGRESS FROM CALIFORNIA'S 20TH DISTRICT; HON. KEVIN MCCARTHY, A REPRESENTATIVE IN CONGRESS FROM CALIFORNIA'S 22ND DISTRICT, AND MAJORITY WHIP; HON. LORETTA SANCHEZ, A REPRESENTATIVE IN CONGRESS FROM CALIFORNIA'S 47TH DISTRICT; AND HON. DANA ROHRABACHER, A REPRESENTATIVE IN CONGRESS FROM CALIFORNIA'S 46TH DISTRICT

Mr. CARDOZA. Thank you, Chairman Mica, Ranking Member Rahall, members of the committee. I would like to thank you all for allowing me the opportunity to testify. I would like to thank Ms. Richardson for her kind words. And I would like to start off by also acknowledging what Mr. Rahall said about the disagreements that sometimes look like reality shows in California.

Mr. Rahall, this will be my last act this year—because I have decided to end my tenure on the "reality show," as you put it. But I will tell you that I am very proud of our cows and our crops and our students that we produce in our universities and the good work that we do. We have been devastated in our area by the home foreclosure crisis and the economy. And I would like some attention to those questions, as well as to some of the things for which we get criticized.

You know, before I start my opening statement, I am going to just mention that this week I cast one of 10 votes in this House from the Democratic side of the aisle for a Republican bill to build the Keystone pipeline. I did that because I thought it was the right thing to do. I took a tough position against my own party because I thought it was the right thing to do. And I am going to tell you here today that I think building the high-speed rail is the right thing to do. Sometimes we need to get outside of our partisan comfort zones and do what is right.

Can you imagine, ladies and gentlemen, where we would be if no one had had the courage to build the Transcontinental Railroad? We would still be riding the Pony Express. This country is bigger and better than not having the vision to do what is right for the future. It is time to step up and do what is right. And I expect the members of this committee to do exactly that—what I feel like I did this week, in taking on my own President on the pipeline, because we should be able to build things in America.

We have to make this country as great as it should and can be again. We built the water infrastructure in the State of California, because we had a visionary Governor who thought outside the box. He built universities, he built roads, and he built a water infrastructure that our State is still relying on.

Ladies and gentlemen, California and our Nation face challenges related to the economy and our quality of life. There is incredible congestion on California's highways, in its airports, costing California's economy—the ninth largest in the world; it used to be the fifth—over $14.5 billion each year. Travel on our interstate system is increasing at the rate of five times faster than the capacity it is being added.

California, particularly the San Joaquin Valley, where my district is located, has some of the worst air quality in the Nation. One in six children in Fresno have asthma. My wife is a family doctor. When she practiced in Merced, 40 percent of her practice had asthma.

And exacerbating all these other problems are the challenges that are presented by our rapid growth. California is projected to add 20 million people by 2050, and the Central Valley is expected to more than double in size.

You can't hardly get from my part of the Central Valley to the rest of the State—I have to travel an extra 2 hours to get to the airport. Mr. Denham does, as well. Mr. Costa is lucky, he has an airport in Fresno, but you have to go to a different airport before you can really get far out of the area. Same with Mr. Nunes.

We have transportation difficulties. We are faced with these simple facts, and it is clear that investment is needed to improve our mobility, our quality of life, and our economy in the State.

In both our Nation's and California's history, tough times have led to bold, innovative solutions. The opportunity presented by high-speed rail today is a continuation of that legacy of visionary leadership. From a practical standpoint, if we don't construct high-speed rail in order to meet our State's needs, we would need to build much more expensive highways. As it was said before, new airports, new runways, all require CEQA and NEPA permits.

Ladies and gentlemen, my time has expired, and I have about four more pages of testimony. I will submit it to the record. I just ask you to think about what is right. Think about the vision and future of our country. Are we going to move forward or are we going to continue to tolerate the fact that our economy is languishing and we are not investing what we should be investing in America?

I think it is time to quit building roads as we have done today in Iraq, in Afghanistan, and start investing in patrolling our streets, and investing back in the United States of America.

Mr. MICA. Thank the gentleman, recognize the Representative of the 21st District, Mr. Devin Nunes.

Thank you.

Mr. NUNES. Thank you, Chairman Mica and Ranking Member Rahall, for the opportunity to testify today.

No doubt we will be hearing from each proponent that high-speed rail means jobs, thousands of jobs, tens of thousands of jobs, even hundreds of thousands of jobs. The reality is that these jobs claims are part of a fantasy. The more you investigate California high-speed rail, the greater you will be convinced that California's bullet train is a boondoggle.

It is ironic that the most strident high-speed rail advocates, people claiming to care about the San Joaquin Valley, are the very people who refuse to resolve our water crisis, as Mr. Rahall referred to earlier, refuse to help our dying timber and mining industries that continue to shed jobs, and support more rules and regulations that drive business out of the Valley and California every day.

Today I would like to make three points. It is clear that high-speed rail is not about jobs. It is about political corruption, public deception, and bureaucratic experimentation. First, let's discuss political corruption.

Dan Walters, a columnist for the Sacramento Bee, was one of many to observe that the initial phase of California's high-speed rail, the segment between Merced and Bakersfield, was based on politics, not planning. This conclusion is justified, based on several factors, not the least of which was the election eve announcement of a $700 million stimulus grant, which was the subject of certain conditions. Among those conditions was a requirement that high-speed rail construction begin in the rural central California congressional district of an incumbent who was facing re-election.

Thanks to the stimulus grant, the Golden State's high-speed rail project has become nationally recognized as the Train to Nowhere. And since few objective observers believe it will never be completed, the probability is high that this slogan will become reality.

Consider these basic facts. High-speed rail was originally projected to be $15 billion in 1996. Today it is $118 billion. My estimation is it will be closer to $200 billion than $100 billion. In 15 years, they have spent $800 million. Not a single inch of track has been laid. California is broke. The State is in a perpetual budget crisis. And the outlook is red ink as far as we can see.

The second point I want to make is about public deception. Mr. Chairman, high-speed rail's popularity has diminished. And, as stated earlier, two-thirds of Californians want this referendum back on the ballot to re-vote. Since 2007, no fewer than 20 PR firms have been hired and have spent millions of dollars on TV, radio, and print campaigns to convince Californians to support high-speed rail.

Moreover, the High-Speed Rail Authority has bankrolled a vast array of political consultants to curry favor with elected officials. If high-speed rail were widely supported, a multimillion-dollar PR campaign would not be necessary. Californians are growing weary of the promises made by rail advocates, the elusive green jobs, the supposed clean air, the shorter commutes, all are part of the fantasy.

You don't have to take my word for it, Mr. Chairman. I would like to submit these reports from the State auditor and the legislative analysts who have questioned the assumptions to sell this project.

Mr. MICA. Without objection, they will be made part of the record.

[Please see the table of contents section entitled, "Submissions for the Record" for the documents submitted by Hon. Devin Nunes.]

Mr. NUNES. The third and final point is taxpayer-funded bureaucratic experimentation. $800 million have been spent on studies, public relations, and staff salaries.

Here is an important point. The chief of this Rail Authority makes $375,000 a year. By way of comparison, the president and CEO of Amtrak, who has the responsibility for our entire country's passenger rail system, rail that actually exists today, is paid $350,000.

Despite the $800 million and 15 years studying the project, they came up with an average rider fare of $162 for a round trip. Now, I spent zero dollars, got on the Internet, and within three clicks found to ride the Acela train, our fastest train in the country, the Northeast Corridor, it costs $350. It stretches credibility to the breaking point to suggest that California will achieve greater efficiency and lower cost than that of the northeast system which connects Washington, Baltimore, Philadelphia, New York, and Boston. This is the busiest rail line in the country.

I did a couple more clicks on the Internet. Remember, $800 million versus my study that cost zero dollars. They promote that they are going to get 29 to 43 million passengers on this train. Last year the Acela train carried 10.3 million passengers. We are being led to believe that the fantasy train will carry more than twice as many riders at half the cost of the existing system here, in the northeast.

Mr. Chairman, in conclusion, it has become clear that the entire California high-speed rail experiment is a case study in how not to run a government program. And with that I yield back.

Mr. MICA. Thank the gentleman and recognize now the——

Ms. RICHARDSON. Mr. Chairman?

Mr. MICA [continuing]. The California——

Ms. RICHARDSON. Mr. Chairman? Mr. Nunes, with—was respectfully allowed additional time to complete his comments, and Mr. Cardoza, who is leaving this Congress, wrapped up. Would he be extended, after the other Members have an opportunity——

Mr. MICA. If he——

Ms. RICHARDSON [continuing]. To give their comments, another minute or two?

Mr. MICA. If he would like and if we have time. I did——

Ms. RICHARDSON. Thank you, Mr. Chairman.

Mr. MICA. Thank you. We will recognize now the Representative from California's 20th District, Mr. Costa.

Welcome, sir.

Mr. COSTA. Thank you very much, Chairman Mica and Ranking Member Rahall, and other members of the committee. It is a pleasure to be here with you today.

America has always attempted to be a Nation of bold, visionary leaders who dared to think big in times of difficulty. We are in difficult times, clearly.

And I would like to add a positive note on this because, frankly, if we—it is important to be transparent. It is important to be investigative. And this is the appropriate role of this committee. However, if the attitude that I hear from some of our colleagues here is to prevail, we would never have put a man on the moon. Neil Armstrong wouldn't have landed there. We would not have built the tremendous infrastructure in the 20th century that made America the number one Nation in the world.

President Lincoln, Roosevelt, and Eisenhower, Republicans and Democrats alike, faced difficult challenges when they were in office. But without these leaders—think about it—we wouldn't have had the Transcontinental Railroad. We wouldn't have had the Hoover Dam that was built. We didn't need the water at the time, and we certainly didn't need the electricity at the time. And we were in the midst of the Depression. We wouldn't have had the interstate highway system, if it were not for President Eisenhower connecting the entire Nation, as was stated before.

But you want to know tough times? I will recommend you tough times. Read this book. Nothing like it in the world. By Stephen Ambrose. It depicts the construction of the Transcontinental Railroad. You want to know difficult times? The Civil War. Our Nation was being torn apart. Inflation was running rampant. The first issuing of paper money. The President was trying to figure out how to finance the Civil War. And—but what did he say? "We are going to build a railroad across the Nation to bind the Nation." That is vision. That is boldness. That is saying we can do things in America, not like some of you, who are saying we can't do anything. If that attitude, that negativism—we can't afford to be short-sighted.

And so, the task at hand is this: The problem in California and around the Nation is investing in our infrastructure, specifically our transportation infrastructure, but also our water infrastructure. The negative consequences of not investing in our infrastructure, which engineers across the country estimate of over $1 trillion, is losing our status as the number one Nation in the world.

It has been said that the busiest air corridor in the Nation is the Bay Area and Los Angeles, southern California. For every four flights, one is delayed an hour. You heard the numbers, in terms of what it would take to, in fact, address that: 115 new airport gates, 4 new runways, and 2,300 miles of new highways. That is at a cost of $170 billion. The cost of this, factored with inflation over 30 years, is $97 billion. Don't look at this in a vacuum, look at the comparative analysis.

More of the same, that is what—we have a choice here. We have a choice in California, we have a choice across the country. And that is why it is appropriate to have this debate and the discussion.

The new draft business plan—and I say the new draft business plan, and other witnesses will talk about it—answers some of the critical questions that the chairman and others have raised, legitimately. Read the new business plan.

Jobs. Jobs are critical. You know, Mr. Chairman, I won't take umbrage to your description of the San Joaquin Valley. My family has farmed there for three generations. We are very proud of it. It is also the fastest-growing region in California, and we are proud of the fact that we are the number one agricultural region in the country.

But we also have the same traffic congestion problems, Mr. Shuster, that you have in southern California and the Bay Area. You get on 99 and you stand behind those truck convoys, and you are in their fog in December through January and February, and the mass accidents, unfortunately, that occur. We have the same congestion problems in the Valley, and the air quality problems that they have in other parts of California.

So, this is also a jobs effort, not just in California but around the country. With unemployment in my area as high as 20 percent, this is an opportunity to create hundreds of thousands of jobs, good-paying jobs, real jobs that are made in America. Because the California bond measure has a made-in-California provision. And we would insist on a made-in-America provision.

Now, let me close by saying—some say, "Well, it is not the right time. It is not the right time. We have a deficit. We have economic problems." Those are all true. But I say it is the right time, not only in California but across the Nation, to invest in our infrastructure. When borrowing rates are at an all-time low, when construction and labor costs are at an all-time low, now is the time to be investing in our infrastructure. Because the dollars will go further today than 10 or 20 years from now. If they had not invested in Hoover Dam in the 1930s, think of what it would cost today. If we had not invested in the interstate highway system in the 1950s and the 1960s and the 1970s, think what it would cost today. You know what those projects cost in your respective congressional districts.

Let me say that many members of this committee have said recently—as recently as last week and today—that they believe in high-speed rail in the United States. And then, when I hear some of you say, "But just not in California," I don't get that. I believe in the Northeast Corridor. I think some of the criticisms that were raised about this project and other projects are fair to debate and to address and to resolve. But don't hold California's high-speed rail proposal to standards that you are not holding to your own freeway projects or to the Northeast Corridor. There is an initial sum of funding, there is a State match, and you complain about not having a long-term revenue source, but where is the long-term revenue source for the Northeast Corridor? Where is the long-term revenue source for any of these projects?

Unless you come up with a transportation plan in this committee, we are going to have no long-term source for funding any transportation projects. That is the bottom line. And we look to this committee to come up with some good decisions, well-reasoned decisions. And I look forward to working with all of you.

Thank you very much, Mr. Chairman.

Mr. MICA. I thank the gentleman.

I recognize the California 22nd District Representative, also the majority whip, Mr. McCarthy.

You are welcome.

Mr. MCCARTHY. Well, I thank you, Mr. Chairman. And I appreciate you for holding this hearing. I have a longstanding concern about the viability of the California high-speed rail project. I know you have got a group of Members here from California, and some with different opinions.

The thing I want this committee to look at is what went before the voters of California. Because what went before the voters of California for the high-speed rail is totally different than what is before the voters today.

It is our responsibility and our stewardship to make the decisions of where our tax dollars go. Because this isn't a one-time investment. If you look at the project more than doubling to $100 billion, if you analyze that people are going to take this rail, and you read the project that more than twice as many people who ride all of Amtrak is projected to ride in this by that study, and that study also says $11 billion will come with private money, you have to look to yourself and also say, "Does that measure, or is that even true?"

An interesting thing happened, especially in listening to my good friend, Mr. Costa from up the road, about the need and investment. In my district, just yesterday it was announced for space travel venture Microsoft co-founder Paul Allen, aerospace designer Burt

Rutan fully to go to space with private money. They are projected, in their plan, to be able to recoup it. They didn't ask for Government money. They did it on their own.

I also measure an idea that a plan says that the private sector will come because this will be profitable. There hasn't been any private sector money come. The plan that done the research on this says that $11 billion will come after we build it. That may make for a very good Hollywood movie, "Build it and they will come," but I don't think that is what the taxpayers say when they sent us here.

I believe, when you look at this project from the beginning, when you put the accountability to it now, it is fundamentally different. And if you do build it and they do not come, that means what are you going to give up to subsidize everyone who is on that train. That is a responsibility we all have to look to.

That was one of the fundamental reasons why I introduced 3143, which will freeze all unspent Federal dollars through September of next year, while the GAO studies is done on the project viability. That is not extreme. That is not taking it and saying no. What that is doing is saying we have a responsibility to the taxpayers. There is not one person on this committee that can say that plan that started out is exactly the same. So what you are saying is stop for a minute. Let's put accountability to this, and let's actually know. If we are just going to put money in, it is not the idea to keep throwing bad money after bad money. If it is never going to be built, and the project of what you projected to be—that private sector money would be there, and it is not there.

We should hold the standards to this like any other project you do. If they said there would be private money in and it is not, they shouldn't be rewarded. If they said twice as many riders as all of Amtrak is going to ride this—just in our Valley, what they predict to ride, the millions of people, if you look at actual numbers only 700-some-thousand people take a train or a plane right now. The population does not mix and match the numbers of what they say.

That is our job every day, as a Member of Congress. That is our job every day to follow back through. High-speed rail is a great idea. But what are you going to give up for everybody that rides it? In a world where we live with a $15 trillion deficit and a State in which I come from that has a deficit each and every year, I think we have a different responsibility here. That is why I introduced the bill I did. Let's stop, let's get the actual accountability to it, and let's make a decision that is viable.

If you ask the California voter today, they want to vote on this again. And they want to vote on it again because they want to change the vote that took place before. Because they do have a right to do that, because the whole plan changed from what was before them.

So, I appreciate having the hearing. It is the right thing to do to look into this, and it is right to ask the questions. And I yield back.

Mr. MICA. I thank the gentleman. And let me recognize now the gentlelady from the 47th District, Ms. Sanchez. I want to rotate, because we just heard from a Republican.

Ms. SANCHEZ. Oh.

Mr. MICA. And Mr. Rohrabacher, being a gentleman, said to go to you first.

Ms. SANCHEZ. Thank you, Mr. Chairman. I would just say that in the beginning you said you would go by seniority.

Mr. MICA. Well——

Ms. SANCHEZ. And I might remind you that if that would be the case, Mr. Rohrabacher would have gone first, and I would have gone second. So we were a little confused at the end of this table.

Mr. MICA. Well, I did it only because we want to rotate Republican/Democrat, majority/minority.

Ms. SANCHEZ. Mr. Chairman, you and I have worked on a lot of transportation issues together, and I know that you do believe in high-speed rail. And I appreciate that your committee is taking a look at this project, as we should. All of us are responsible for the monies that we spend on behalf of the American people.

You know, I have heard some people be very straightforward here today about, “Let’s take a look at this project, and let’s figure out how we get it done.” And I have heard others, quite frankly, throw out a lot of rhetoric, from both sides. I just would like to say to my good friend, Mr. Shuster, who complained that we had spent over $800 billion on the stimulus package, I will remind you that a third of that was for tax cuts, which was a requirement in order for us to pick up the votes here in this Congress.

So, let’s really talk about what we need to hear today, and that is whether we really need a high-speed rail in California or not. I believe we do.

I mean it really—last night in Los Angeles County—and I am not from Los Angeles County, I am from south of there, Orange County, I represent the Anaheim area, where we would hope the terminus to that, at least one of the phases of that project would be, Anaheim—we are preparing in Anaheim, with our multimodal interchange there, to receive the high-speed rail. There are some local communities who really want this project, and we are putting our own monies in to make sure that we are ready to get that project when it comes in. We are looking forward to the jobs in Orange County.

The Orange County Business Council, I might add, have—somewhat Republican-leaning council, did a study of this and said that there would be, just in a phase between Anaheim and through Los Angeles, 50,000 jobs that would work on this project. They are very in favor of this project.

Last night in Los Angeles County on the 60 Freeway we had a big rig turn over and burn to a crisp on that 60 Freeway. And it happened to turn over underneath an overpass bridge, which disintegrated also in that accident. Because of that—and I believe that it happened early in the morning, maybe about 10:00 in the morning—the freeways were tied up, and nobody could move, probably not even for the commuter hour today. I saw people on television saying they were trying to get their child to school in the morning, and at 6:00 p.m. they were still in the same spot, not on that freeway, on a different freeway. But one accident tied up all of Los Angeles County. And what every person said was that there was no alternative way, but to be on the freeways.

This high-speed rail is an alternative way. And that is why we need it. Some say, well, we have air. Well, you know, before I became a congresswoman, when I used to take my flight tests as a private pilot, I would fly out of Orange County Airport, the highest general aviation traffic airport in our Nation. And I would have to wait sometimes 45 minutes to be able to get in queue because of the planes that got to go ahead of me, the commercial ones. And we were all burning fuel. That is a cost nobody ever thinks about, unless you're paying for it as a student pilot. And now we have increased the capacity, and it is still not enough at that airport. And we are projected to have a majority of the new flights for the next two decades to come out of South County, Orange County. And we will have to go up to LAX. And there is a fight, because Maxine Waters's airport has to be increased, and people's homes get taken away, and the whole thing goes on.

This problem of aviation, this problem of aviation. Why are there so many flight delays? The weather in San Francisco. Why are there so many flight delays? The tule fog in Sacramento. Why is it that when a big rig or somebody has a crash, the whole freeway stops and people can't come into the Basin? We, as Californians who use the system, understand we need an alternate.

And we need to invest. It is never an easy thing to invest in the beginning. People get voted out of office because we decide to invest in a railroad, in a new airport, in a new highway, because we take people's homes. But we must have the courage to say that we need high-speed rail. And it makes sense for the backbone of California to have that in place. And it will cost money. And we need to look at it and figure out how we make it work.

Before I came to the Congress I worked in transportation. Before I came to the Congress I was an investment banker who did infrastructure projects. It is never easy to do these projects. But if you want to, and you have the guts to do it, you can get it done. And I say that California needs a high-speed rail.

Thank you, Mr. Chairman. And I would love to submit my written testimony for the record.

Mr. SHUSTER. [presiding.] Thank you very much. I appreciate that.

And with that, Mr. Rohrabacher.

Mr. ROHRABACHER. Thank you very much. You know, when I was a young person, my father used to tell me that if I was going to get anything done I had to face reality. And I remember someone compared this delegation to a reality show. And I think it is much better to be compared to a reality show than perhaps compared to "Fantasy Island." And it is on "Fantasy Island" that we can keep spending money that we don't have, borrowing money from China, and expecting that our economy is going to continue even on an acceptable level.

If we continue with the direction we are going, we know even with projects that really make sense, we are having to question them and cut some of them. But if we continue to even seriously consider projects that don't make economic sense in the long run, look with Lincoln—and I respect Mr. Costa, he has spent a lot of time on this project, and perhaps 10 years ago, when he first started, it would have been easier for us to make a decision to go ahead compared to the times——

Mr. SHUSTER. Is your microphone on?

Mr. ROHRABACHER. What was that?

Mr. SHUSTER. Your microphone, could you——

Mr. ROHRABACHER. Oh, pardon me. So, let me just suggest that when Lincoln went forward with the railroad across the country, he had at his disposal enormous assets in land. And they used the land for the railroads to actually serve as the capital for the railroads. And when Eisenhower went forward with the interstate highway system, he taxed, what, the gasoline, the people who would then be using the interstate highway system, in order to pay for the project. That made sense. That was reality in those days.

Our reality is we are spending $1.5 trillion a year more than we are taking in, and we are borrowing it from China. And for us to have a project that continues to go up in price—this project used to be—I think it was first guesstimated at $41 billion or $43 billion and now it is up to $100 billion. Well, one wonders how much it was going to be—it will be in the future. And we cannot afford to continue borrowing from China for projects that continue to escalate, when we have other things that are so necessary in California.

We are a water-shortage State. Mr. Nunes and Mr. Costa both know that their area of the State is really suffering from a lack of water. Well, the whole State is going to suffer from lack of water, unless we invest about $30 billion more in water in California over the years. Well, that makes much more sense than spending $100 billion on a train—well, as Mr. Nunes says, the Train to Nowhere.

And let us also take a look—I have been, with Laura Richardson's help and support, advocating that we build a container movement system from the ports of Los Angeles and Long Beach to—inland to the rail heads near San Bernardino, which would take 10,000 and 20,000 trucks a day off of our roads—Ms. Sanchez has detailed how crowded they are. We haven't been able to afford that. And that—by the way, and that project would have paid for itself with a container fee. And we cannot move forward.

Our country cannot move forward now with projects like this that are well intended and, yes, visionary. Some people say that if your eyes are on the stars, you are likely—and that is—if you keep your eyes in the stars, you may end up falling into a ditch. Well, this could put us into that situation, where we have vision in the future, but we have to look and solve this problem today. Or otherwise, by the time we build a train like this at the cost we are talking about, and the condition of our economy and our budget, we won't call it the train from nowhere, we will call it the Orient Express, because that is the people who will own this country, if we do not start acting responsibly.

Thank you very much.

Mr. SHUSTER. Well, I thank the gentleman, and I thank all of you. It is typically the custom we don't ask other Members of Congress questions. I don't want this to erupt into a full-fledged debate between our panelists and members of the committee. That is the debate that will occur in this committee, and then it will occur on the House floor.

But I would—if some folks have some questions, again, I want to make sure we don't get into full-fledged debate with our panelists. We save that for the administration folks, when we are holding their feet to the fire. Again, typically, we are trying to get information and viewpoints from our panelists.

I would like to say, for the record, though, that a couple of people have mentioned my name, which is fine. I do support passenger rail. I do support higher speed rail. But I believe we have to do it in a sensible way.

At some point in time California may decide that they have the money to spend. I am not going to talk for Californians. I think the polls are clear that Californians want a re-do. I think they want a Mulligan on this one, because it seems that these costs are getting out of hand. And the estimates are completely off from where they started.

I would also like to mention to my friend from California, Mr. Costa, that if you have congestion on the highways, maybe the better use of this money would be to expand I–99 in the Central Valley, and I have heard people talk——

Mr. COSTA. May I respond, Mr. Chairman?

Mr. SHUSTER. Certainly. Just let me make—I think that is my final point.

Oh, and it was also said that I said that the Northeast Corridor would be $117 billion. That is not my number, that is Amtrak's number. My number is I have no idea what the Northeast Corridor is going to cost, because I—we want to bring the private sector, and there are people interested in investing and operating the Northeast Corridor. We want to bring them in and let them take a view of it and put bids out there, or requests for information, request for proposals as to what they think it will be, because Amtrak has really no idea how much it is going to cost. That is my view of it.

But with that——

Mr. COSTA. Thank you. Thank you for raising important issue. I support the funding of Highway 99, supported a measure that provided $1 billion for that. The trouble is we need more funding for that.

I carried legislation in 1986 and 2002 that provided billions of dollars to build the Fresno Clovis transportation freeway system. Now, that dislocated hundreds of homes and businesses. That was over 20 years ago. I submit today to tell you that if it had not been for that multibillion-dollar construction project, we wouldn't have the benefits of that transportation plan. I don't think Fresno and Clovis want to go back to what it was in 1986.

But it is, I believe, a canard or a bait-and-switch to say that the money that we are talking about here can be transferred to Highway 99, because it can't. We know what happened in Wisconsin, Ohio, and Florida when Governors attempted to take Federal high-speed rail money and spend it for road projects. It got taken away. And that is what will happen with this money.

And as far as whether or not the voters approve today or would disapprove a bond measure, in the financial crash in 2008, 52.5 percent voted. Now, maybe they wouldn't support it today. You may be correct. But we have school bonds, we have water bonds, and we have other types of bond measures which the voters in

California approved. If we are going to wait 2 years, 4 years down the—when a water project is unpopular, say, "Well, we ought to put it back up there, maybe they will disapprove it," that is an important policy question.

And so, it seems to me that we—there isn't a silver bullet here, in my view. We have to use all the transportation tools in our transportation tool box, and high-speed rail is a part of it. It is going to happen in this country in the 21st century. The question is sooner or later. But it is part of our transportation long-term solutions.

Mr. SHUSTER. But—again, I don't want to engage in debate, but I still say you have got problems in southern California. That money would be much better spent to improve transportation from San Diego to Los Angeles, where you have 20 million people. I just think that—and as Mr. Nunes has pointed out—this thing is going to be a boondoggle. California, I don't believe, is going to be able to afford it.

And again, that is going to be the debate. Again, I don't want to engage in that——

Ms. SANCHEZ. Mr. Chairman, may I just say something?

Mr. SHUSTER. Yes.

Ms. SANCHEZ. At the southern tip of my district, again, in Orange County—and I have supported every transportation bill, I have—you know, I understand the construction of highways, believe me, from my prior work—at the southern tip of my district, at the "Y"—at the El Toro "Y," as we call it in Orange County—the freeway is 23 lanes wide. You can see it from the moon. There is not a lot wider we can go in a lot of areas. So we do need an alternative.

Mr. SHUSTER. That is why I say spend the money in the southern California area, instead of——

Ms. SANCHEZ. I would be willing to build it from Anaheim through Los Angeles to begin with.

Ms. BROWN. Mr. Chairman?

Ms. SANCHEZ. I am all for that. Thank you.

Mr. SHUSTER. Mr. Cardoza?

Mr. CARDOZA. Thank you, Mr. Chairman.

Ms. BROWN. Mr. Chairman, I did raise my hand.

Mr. SHUSTER. I am going to let them go through, give them all an opportunity to say something else.

Mr. CARDOZA. If I could just say very briefly—I think both sides have made some relevant points today, and you have to acknowledge both sides' points.

But I would like to correct one thing that I think is misleading the committee, and that is that this segment, as it currently exists, sir, is the fifth busiest train segment in the country. And it serves over 6 million people a year. And, frankly, it doesn't do it very efficiently, because it does it with a short train segment from south Stockton to Bakersfield. Then you have to take a bus north to Sacramento or you have to take a bus south to Los Angeles.

If you had the kind of situation that we're talking about and we would like to have in the State of California, I would tell you you are going to get exponential numbers of riders, because there are no alternatives to get our people to where they want to go in the major metropolitan areas.

We have populations much greater than the size of many States in this country, and that do not have access, ready access, to alternative transportation venues. And so you have to drive a long way to get to where you need to go.

Mr. SHUSTER. Mr. Nunes, I think, is——

Mr. NUNES. Mr. Chairman?

Mr. SHUSTER [continuing]. Eager to answer, or respond.

Mr. NUNES. Well, I am not going to—I think you are headed in the right direction, as to focus the dollars where they can do the most good.

However, I would encourage this committee to look at two projects that are rail, but not passenger rail. One is what Mr. Rohrabacher referred to, which is some way to get freight from the ports out to the larger rail lines to move products that come into this country east. That would be the first thing.

The second thing, if you want to help out the San Joaquin Valley, would be to look at expanding the freight rail system along existing right-of-ways. So one of the major problems that we have in the San Joaquin Valley is at the southern tip—we are congested. You have to go out of the Valley, you have to go up the Tehachapis that are in Mr. McCarthy's district.

It has been looked at. Although it is a very expensive project—I think into the hundreds of millions of dollars to add another line along existing corridors to help alleviate that traffic—that would help the entire San Joaquin Valley. That would help all of California. There have been studies out here on this. But in order to get to that point, this committee would have to allow California to use that money for rail, but perhaps not high-speed rail. Yield back.

Ms. BROWN. Mr. Chairman?

Mr. SHUSTER. One second. And most likely it would help the Nation if you improve the movement of goods and produce and what you—the foodstuffs you——

Mr. NUNES. Absolutely. It would help out for commerce, it would help out for air quality. It would get trucks off the road, all the things that I think would improve the economy.

Mr. SHUSTER. Yes. Yes, Ms. Brown?

Ms. BROWN. Let me be clear.

Mr. SHUSTER. Well, hold on a second. You have a question? I am going to——

Ms. BROWN. I do have a question.

Mr. SHUSTER. OK. Well then, I will recognize you at the appropriate time. I am going to give Mr. Rohrabacher one last shot, if he cares to say anything else. Each panelist——

Ms. BROWN. A question——

Mr. SHUSTER. I will recognize you in due time.

Mr. ROHRABACHER. I would yield to the gentlelady, that is fine.

Ms. BROWN. Thank you. First of all, let me just say this is the transportation and infrastructure committee.

Now, freight rail is number one in the world. So we—when you travel around the world, they ask us about our freight rail. So the freights can afford to fund—if they thought it was a viable project, they would fund it. We have a problem with passenger rail in this country.

Now, for every billion dollars we spend, it generates 44,000 permanent jobs. Now I know we don't need to confuse anybody with facts, but I have been on this committee for 19 years. I have been involved with transportation for over 30 years. Transportation is the engine that puts people to work. So don't come to this committee telling us, "Well, you know, we have this problem in this country." We didn't create this problem in Transportation. This committee is the committee that puts people to work.

Now, not one of you voted against the Bush tax cut that got us in this mess. Reverse Robin Hood, robbing from the poor and working class to give tax breaks to the rich. That is how we got here. Transportation is the engine that will regenerate this country.

Now, let me tell you something surprising. I agree with you, that we need to look at this project. It is not acceptable to double the cost of the project. We need to look at it. We need to have a different plan. You all need to come up with a different plan.

And don't tell me anything about if you put it on the ballot or you ask the question. Listen. I know that you are going to answer the question based on how you asked the question. So if you change the way you ask the question, you can get a different answer to the question. I am a social scientist, I know that.

So the question is—I have been to Anaheim—we need to look at whether or not we need to, you know, make sure what happened to California is not the same thing that happened to Ohio and Florida, where we sent billions of dollars back that would have generated 60,000 jobs in Florida. Yes, we need to look at it.

One of the things we need to do is we need a one-stop permitting process. If not, in California 20 years from now we going to be talking about high-speed rail——

Mr. SHUSTER. Mr. Rohrabacher's time is about ready to expire.

Ms. BROWN. So there are many things we need to do to work together to——

Mr. ROHRABACHER. I would——

Ms. BROWN [continuing]. Move people and keep freight and passenger rail separated.

Mr. ROHRABACHER. I think my time has been consumed, but I yield it back. Thank you.

[Laughter.]

Mr. SHUSTER. I thank the gentleman. With that, let me go to Mr. Rahall, if he has a—and what I am going to do——

Mr. RAHALL. Just——

Mr. SHUSTER. One second. I am going to reduce the amount of time for questions to this panel to 2 minutes, so——

Mr. RAHALL. Just a couple of softball questions, if that is possible.

To Mr. Nunes, we have all heard the figures—this panel has testified to them and they are common knowledge—about the expected 20 million people increase in California's population over the next 30 or 40 years. My question is, what would your alternative to high-speed rail be, and how would you pay for it?

Now, I know you mentioned freight rail a minute ago. But as far as I have been able to discern, the freight rails aren't too—they aren't jumping up and down to accept passenger traffic over their lines. So I don't think we can put it all on the freight lines.

Mr. NUNES. Thank you, Mr. Rahall. Going back to the point I was making about freight rail, one of the problems we have with congestion on the freeways is that there are too many trucks. They go a different speed than the cars. They create a lot of the congestion problems that we have. I am not against trucks.

The problem is when we have freight rail that gets to the southern tip of the Valley. Because you have to climb up to an elevation, I think, of around 3,000 or 4,000 feet, those trains are only going 15, 20 miles an hour up the hill. And that is the problem. It creates a congestion that then requires us to put more trucks on the road that then creates congestion on the freeways. If we could alleviate—if we could just double the number of freight trains that we could get on that line, I think it would make a big difference.

Now, with that said, I didn't come here to talk about taxes, but I know that the gentlelady did discuss taxes. That is the committee that I am on. We refer to the Bush tax cuts in our committee as the Bush-Obama tax cuts. Because I just want to state clearly for the record that President Obama has supported to extend the Bush-era tax cut.

Mr. RAHALL. Well, in answer to my question, it appears your sole solution, then, is to reduce congestion by putting more freight on the tracks.

Mr. NUNES. Yes, because the tracks can handle——

Mr. RAHALL. Thank you.

Mr. NUNES [continuing]. The extra freight.

Mr. RAHALL. I yield back.

Mr. SHUSTER. Thank the gentleman. With that I will recognize again for 2 minutes Mr. Denham.

Mr. DENHAM. Thank you, Mr. Chairman. Often times when the facts don't go your way, words like "courage" and "guts" get thrown out there.

Look, I just want to see this project on time, on budget, and off of ag land. If it is a $33 billion project that can do those things, absolutely. But, Mr. Costa, when you talk about a bait and switch, sure, switching the money to $3.6 billion—or the $3.3 billion that is left—switching that to Highway 99, absolutely it would be a switch. But sending $3.6 billion of stimulus dollars for shovel-ready projects and then letting it sit for 3 years is not stimulus. And I would consider that a bait and switch.

I would also consider it bait and switch when you send something out to the California voters and say, "This is a $33 billion project, you are on the hook for $9.95 billion of it," and then it goes to a $98.5 billion project. That is also a bait and switch.

So, if we can get this project back under control and get it on time, on budget, and off of ag land, I would love to support it. I would like to see a balanced transportation proposal.

And I just want to correct one thing for the record. We need to have big ideas. We need to have bold solutions. We need to look at the future and create jobs. But when you are throwing out projects like the Hoover Dam, that cost us $50 million in 1931, which by today's numbers would be a $700 million project, or the Boulder Canyon project, which included the Hoover Dam, the Imperial Dam, the American Canal cost $165 million in 1936, which is roughly $2.5 billion today, that you have to have the facts and the numbers on your side to be able to promote those.

So, we have exempted CEQA on projects like LA Earthquake. Governor Davis exempted CEQA for the jobs in the Bay Area for the Pac Bell Park. You know, it has been done by Republicans and Democrats. If you want to get this project back under control, then look at the environmental side of things. NEPA, the same way. The President has waived NEPA for important projects. If this project is that important, then get it back under control.

Mr. SHUSTER. I thank the gentleman. Mrs. Napolitano is recognized for 2 minutes.

Mrs. NAPOLITANO. I won't take that long, Mr. Chair. And I am for mass transit, mass transit of the working class, of the people. We have New York, you have it in Washington, DC, you have it in other major cities, but not in California. That is a priority for me.

In Spain and China and France, the Government owns the land that those transit systems are on. They control it. They determine who gets on it and who runs the systems.

There has been very little mention about the railroad being able to allow transit on their freight lines. I understand that they are now willing to do that. Great. Maybe more of that can be found.

And, Mr. Rahall, you brought up the trucks on the road. In Long Beach, the Alameda Corridor was supposed to take trucks off the road, and they are still on the highway, polluting and being able to not get on the Alameda Corridor itself, because it is cheaper to get it on the truck. And until that changes, it is going to continue.

Thank you, Mr. Chair.

Mr. SHUSTER. Thank you. And with that, I will recognize Mr. Miller for 2 minutes.

Mr. MILLER OF CALIFORNIA. Thank you. Some interesting things have been said, one about how you present the question, and I think that is how they got the first bond passed in California. But when the people of California looked at the facts, they want to vote it down today.

But the comment has been made the Republicans don't really care about high-speed rail. But if you had asked Chairman Young and then Ranking Member Oberstar, I put $75 million into the 2005 transportation bill for Maglev, and politics has played games with that money, and it is still sitting there unused. So—and the money has tended to go from Anaheim out to the Ontario Airport.

And we talk about lack of capacity? If we stop playing games in Los Angeles and utilized Ontario, Burbank, and Palmdale Airport, you could really carry a tremendous amount of people. What has happened in Ontario specifically is you have an airport that was half developed, and then we sucked all the gate traffic out of it and moved it to LA. And the airport is ready to go double capacity from what they used to have, so there is absolute capacity in the region.

The other problem is we talked about freight rail. The problem you have in Orange County and LA County is there is no right-of-way for the high-speed rail, unless you take the right-of-way away from freight. So you are going to offset one with the other, and neither one of those are to our benefit. And I don't know of any of the rail companies that are willing to give their freight capacity on rails—which we should double—to passenger. And that is going to be another huge problem.

Money. We talked about—and my good friend, Loretta, you talked about the wide freeway on the I–5. And that is a beautiful area. But north and south of there we stop. And we tried to go to the 241, which was totally funded by private sector dollars, and the Coastal Commission shut it down. So we had a project that was totally privately funded, and California Coastal Commission shuts it down, thereby putting more traffic back on the I–5 Freeway.

If you just go downtown Los Angeles, where the 5, the 10, and the 101 intersect, that interchange is over 60 years old. It goes to two lanes. And we don't have the money to fix that.

So, are there things we should be doing in California? Yes. Are we prioritizing our dollars for the benefit of commuters? I think not.

But at that, I yield back the balance of my time.

Mr. SHUSTER. I thank the gentleman. Ms. Brown, are you requesting 2 minutes?

Ms. BROWN. Yes. I have a question for Ms. Sanchez.

Ms. Sanchez, we are looking at how the State—and I know the next group will talk about it—how they came up with the doubling of the money, and how they determined where the different areas would go and why the decision was not made to go with LA, or that area where the population is, and northern California. Do you—can you give me some insight as to why that decision was made?

And basically, I do want to say something about Maglev. When I do projects or transportation, I let the area decide on what is the most feasible. I don't say that you have to spend $75 million for Maglev, because that cost may be more than using other systems. You just put it out there and let people bid on it, and see what the bid come back with as opposed to saying it needs to be this, that, or the other.

Ms. SANCHEZ. Well, Ms. Brown, let me just say that that would be a long conversation, and I would certainly love to sit down with you and sort of walk you through the history of this. I am very well familiar with it. As I said, I was an infrastructure investment banker before, and my job was to, before, sell bonds on behalf of a municipality or a State or a county to make sure that the project was actually viable.

And there were plenty of projects that I shut down. In fact, one—there was a particular project where my life was threatened because I shut it down. It was such a big project, and I said it wasn't financially viable.

So more than anything else, to my good friend from California, I would love to sit down and—I mean I would love to head that agency and get this project done, because I know how to get it done. But that is not my job. My job is to entrust it to the panels that will come and talk to you, and hopefully they can, you know, get the reports together and we can feel more confident that our monies are being spent correctly.

One of the reasons that the cost of the project has gone up is——

Ms. BROWN. Double.

Ms. SANCHEZ [continuing]. Is because there is no right-of-way that is owned by the Federal Government. So you have to pay for right-of-way. You have to get right-of-way. When you go through places, you have to buy that up. Land is expensive in California. People have "not in my backyard" mentalities, too.

And so, when you say I need to sit down with the jurisdiction and discuss with them what they want, that is a long process. The cost has been going up because everybody has a different idea. Some cities don't want it going through there, others are dying to have it go through their area.

This is a give-and-take as you go through the process, and it is a long process. Some of it is environmental. There are a lot of issues behind it. But first and foremost is that you have to have buy-in from the agencies, the cities and the counties, where you go through for this line. And it is a long process, and an expensive process.

Ms. BROWN. Thank you.

Mr. SHUSTER. Well, thank you, Ms. Sanchez. And thank all of our colleagues for being here today. This is certainly an issue that we will continue, I am sure, to debate not only here in this committee, but maybe even on the House floor.

You know, we do have serious transportation problems in this country. Funding is a huge issue. And we need to continue to explore how we are going to do it in a reasonable and responsible way, and make those investments that really make sense, and will have a big impact on not only California, but the entire Nation.

So again, thank all of you for being here. I appreciate you spending your time. And we will let you guys leave, and our next panel will assemble.

Mr. NUNES. Thank you, Mr. Chairman.

Mr. COSTA. Thank you, Mr. Chairman. And clearly, all is possible if we can only work together, which often times is in short supply around here. That is how we built things in the past.

Mr. SHUSTER. And I have read the book. It is a good read. I recommend it to anybody.

Mr. DENHAM. Mr. Chairman?

Mr. SHUSTER. Yes?

Mr. DENHAM. While the panel is coming up, I would like to submit for the record Senator Doug LaMalfa from California has a statement to add.

Mr. SHUSTER. Without objection, so ordered.

[The information follows:]

STATE CAPITOL
ROOM 3070
SACRAMENTO, CA 95814
(916) 651-4004

300 STANFORD RANCH ROAD
SUITE 720
ROCKLIN, CA 95765
(916) 435-0744

1550 MYERS STREET
SUITE C
OROVILLE, CA 95965
(530) 532-5860

2885 CHURN CREEK ROAD
SUITE C
REDDING, CA 96002
(530) 225-3142

1080 MASON MALL
SUITE 4
CRESCENT CITY, CA 95531
(707) 464-1255

California State Senate

SENATOR
DOUG LA MALFA
FOURTH SENATE DISTRICT

COMMITTEES
NATURAL RESOURCES & WATER
VICE-CHAIR
ELECTIONS & CONSTITUTIONAL
AMENDMENTS
VICE-CHAIR
AGRICULTURE
BUDGET & FISCAL REVIEW
GOVERNANCE & FINANCE
JOINT LEGISLATIVE AUDIT
JOINT FAIRS, ALLOCATIONS &
CLASSIFICATIONS
CHAIR

December 13, 2011

RE: Opposition to Funding for California High Speed Rail

Dear Members of Congress,

I traveled to Washington, D.C., earlier this year to advocate against additional federal funding for California's high speed rail project. I am writing today to reinforce that message and urge you to not only oppose additional federal funding, but also to support efforts to repeal existing funds which have been authorized but not expended.

The project the California High Speed Rail Authority is pushing bears little resemblance to the $34 billion statewide system voters narrowly approved in 2008. In fact, the Authority has revised its cost estimates to about $100 billion, a figure that is still misleadingly low as it excludes the connections to Sacramento and San Diego that voters were promised.

Please consider the following:

- The project's costs have ballooned to 300-500% of what voters were told in 2008.
- Public support for the project is evaporating, with the respected Field Poll finding that two-thirds of Californians want to reconsider the project.
- The nonpartisan Legislative Analyst's Office testified that the Rail Authority's business plan violates state law and relies on nonexistent funding sources.
- Using the Authority's own per-mile costs, the full 800-mile statewide system would cost over $150 billion.
- Contrary to the Authority's claims of private sector support, no private sector investment has appeared.

California neither needs nor wants this project and with an ongoing budget deficit of over $10 billion, the state certainly cannot afford it. It is for these reasons that I will be introducing legislation in January which will allow voters to reconsider this project on the November, 2012 ballot.

Unfortunately, each federal dollar provided to this project ensures that additional state dollars will be directed toward its construction and I therefore ask that you oppose the authorization of any additional funds for use on this project. Thank you once again for your consideration.

Sincerely,

Doug LaMalfa
Senator, Fourth District

THE WALL STREET JOURNAL.

November 12, 2001

Editorial: The Train to Neverland

California's railway gets more fantastic all the time.

California Governor Jerry Brown must have loved "The Little Engine That Could" as a kid. Last week his state's high-speed rail authority released a new business plan that estimates its 500-mile bullet train from San Francisco to Anaheim will cost $98 billion.

The state and federal governments are broke, and private capital won't finance the project, but Mr. Brown still thinks the state can build the train.

Three years ago the rail authority sold a $9 billion bond measure to voters on the pretext that the bullet train would cost $33 billion and be financed mostly by private investors and Uncle Sam. They also claimed the train would draw 90 million riders per year — about 15 times what Amtrak's Acela in the Northeast draws — and wouldn't need a subsidy. Taxpayers were all aboard.

Then reality struck. A study last year by Stanford economist Alain Enthoven, former World Bank analyst William Grindley and financial consultant William Warren examined high-speed trains in Europe and Japan and concluded that the California train could cost upward of $100 billion and would be lucky to draw 10 million riders. The authors also reported that investors were refusing to finance the project without a subsidy, which the bond measure that voters approved had prohibited.

The White House has so far offered the state $3.2 billion in grant money-provided that it builds the train in a way that guarantees a taxpayer loss. Transportation Secretary Ray LaHood has required the state to construct the first segment in the scarcely populated Central Valley and break ground next year. The Obama Administration's logic seems to be that if it forces the state to build a train to nowhere, the state will then dig deeper into taxpayer pockets to connect it to somewhere.

The rail authority last year chose to build the first segment between Merced and Bakersfield. The state watchdog Legislative Analyst's Office called the decision a "big gamble" since ridership would be too low to operate the train without a subsidy. And if the project runs over budget — what are the chances? — the authority won't have enough money to complete the segment or electrify the tracks.

The best outcome then would be for the authority to sell the tracks to a museum for an exhibit on California dreams.

At the urging of the state analyst's office, the legislature directed the authority to produce a more honest business plan before the state issues bonds. The authority now predicts that the train will draw 37 million riders by 2040 — about equal to the state's current population — and turn a profit on all segments. Sounds fantastic. Literally. They make the math work by assuming per-mile ticket prices at about half of what most high-speed trains around the world charge and an operating margin that's about 50 percent of their revenues. Most high-speed trains run at a loss or just break even.

Rail authorities say that once the first segment turns into a gusher of revenue, private money will jump on board and finance the train's completion. When that doesn't happen, there's Plan B: public borrowing.

Hold that idea. The state treasurer's office recently released a report warning that the state can't afford to authorize much more debt without severely squeezing public services. Debt service costs California $7 billion per year. Borrowing $90 billion to finance the train would cost about $10 billion a year. Forget about building new schools or revamping the state's rickety water system.

Fortunately, the rail authority needs the legislature's approval before it can start wasting taxpayer money and evicting home and business owners to pave the way for the train with no future. The legislature should just say no, but if members lack the nerve, they could at least leave the decision up to voters.

State Senator Doug LaMalfa suggests that the legislature give voters a do-over on the $9 billion bond measure they approved in 2008 when they were high on hope. Sounds reasonable. Congressman Kevin McCarthy of Bakersfield has also proposed legislation to freeze federal funding for the project, which would make the train a nonstarter. It's time Governor Brown put away childish things.

California High Speed Rail: The Facts

Two-thirds of Californians Want to Reconsider the Project

A recent statewide poll conducted by the respected and nonpartisan Field Poll found that Californians believe that voters should have the opportunity to repeal high speed rail by a two-to-one margin. If an election were held tomorrow, nearly 60% of Californians would vote to eliminate the project.

Local governments around the state, ranging from the cities of Palo Alto and Burlingame to Kings County and the Orange County Transportation Authority, have urged that funding of the project be halted.

Editorial boards agree that the project has changed so drastically that the legislature should give voters a chance to repeal it:

"At a minimum, the Legislature should send this plan back to voters. Its shrinking scope and exploding cost bear too little resemblance to the 2008 measure now used to justify it."
San Jose Mercury News, "High speed rail is a great idea we simply cannot afford now," November 5, 2011

"Claims made in the 2008 campaign about ridership, private and federal funding, and much more have all been discredited...At the least, a new vote on whether to proceed with the project makes sense."
San Diego Union Tribune, "Editorial: Rail do-over vote would be fair, appropriate," December 2, 2011

"We urge legislators to withhold bond money from this boondoggle, and to give voters the opportunity to kill the scheme at the ballot box."
Orange County Register, "Editorial: Chorus grows against bullet train," November 12, 2011

Costs Have Increased Over 300%, Likely to 500% of Claims

In 2008, California High Speed Rail Authority (CAHSRA) released a business plan claiming that the project would cost $34 billion, but just one year later revised that estimate to $43 billion. Today the CAHSRA admits that the cost would be around $100 billion. Unfortunately, that figure is barely two-thirds of the projects true costs.

However, the CAHSRA still hasn't come clean. The $98.5 billion cost it admits to is for a system that reaches to the Bay Area and the Los Angeles region and stretches 520 miles. When the CAHSRA signed a ballot argument in favor of Proposition 1A in 2008, it promised voters an 800-mile system that included Sacramento, San Francisco, Los Angeles and San Diego. The CAHSRA's plan dishonestly includes costs for a system that ignores Sacramento and San Diego in order to artificially lower the project's price tag.

Using the CAHSRA's own per-mile costs, the system that voters were promised would cost at least $150 billion.

Rail Authority's Plan Violates California Law

At a December hearing of the California Senate Transportation Committee, the nonpartisan Legislative Analyst's Office testified that several elements of the California High Speed Rail Authority's business plan were in violation of the voter-approved Proposition 1A:

- The CAHSRA plan would reach only from existing local mass transit in the San Francisco area to existing local mass transit in the Los Angeles area. Proposition 1A requires a San Francisco-Los Angeles high speed rail line, which this plan would not build. Voters are not getting what they were promised.

- The CHSRA plans to begin construction in the Central Valley, but the first leg would simply be rails, without electrification or the ability to support high speed trains. Proposition 1A requires that the system support high speed rail operations, but this section may never have that capacity.

Authority Claims Ridership 140% of Amtrak's National Riders

The CAHSRA claims that California's high speed rail system would carry 43 million riders annually, or about 40% more than Amtrak currently carries nationwide. To arrive at this incredulous figure, the CAHSRA assumes that a station in Merced, a Central Valley city of 78,000, will see more riders than New York's Grand Central Station.

The CAHSRA also argues that high speed rail will attract its riders away from intrastate air travel. However, only eight million passengers a year fly from San Francisco to Los Angeles. Where will the CAHSRA find its other 35 million riders?

Plan Relies on Fictional Funding Sources

When Californians authorized Proposition 1A, they were told that state bonds would pay for about a third of construction, with federal and private investors covering the remainder. Now that the true costs of the system are known and the CAHSRA has spent hundreds of millions on consultants, California has less than 10% of the funding needed.

At the December 5 state Senate hearing, the state Treasurer's office addressed the CAHSRA's contention that California's best bet to fund the project would be Federal Qualified Tax Credit Bonds. These bonds do not currently exist and the legislation creating a similar infrastructure bond, S. 1436, would authorize only $50 billion to be spread across the nation. The bill would allocate no more than 2% of this $50 billion to any state, meaning that California could at best receive $1 billion under this bill. The CAHSRA appears to be basing a $100+ project on a funding source that does not and will not exist.

The Treasurer's representative provided the following testimony: "There is currently no proposed federal legislation that would accomplish the QTCB bond financing described by the Authority in its business plan."

Finally, the CAHSRA has often claimed that the project would be so profitable that private sector investors would jump at the chance to invest in the project. Contrary to these claims, not one dollar of private funding has appeared. Even worse, private firms would require revenue guarantees (subsidies), which are prohibited by California law.

Rail Authority's Equivalent Infrastructure Figures Dishonest

The CASHRA routinely claims that California simply must build a high speed rail system, or it will need $170 billion in new roads and runways. However, the CHSRA bases this claims on a rail ridership of 100 million annually, a figure that it apparently doesn't believe is credible enough to use in actual rider estimates. Furthermore, California's highways function as massive goods movement corridors, transporting billions of dollars of products around and through the state. High speed rail won't do a thing to ensure that goods continue to move smoothly through California and the nation.

Mr. SHUSTER. I want to welcome our second panel here. Thank all of you for coming today. Some of you have testified before in front of us. Mr. Szabo is a regular participant in these things. So—but again, all of you, appreciate you making the trip, many a long distance, to be here today.

Unfortunately, I am going to have to step out after I introduce the panel, and Mr. Denham is going to chair the hearing. And with that, I want to introduce all of our panelists.

First, as mentioned, the Honorable Joseph Szabo, who is the administrator of the Federal Railroad Administration. Next, Mr. Roelof van Ark, CEO of the California High-Speed Rail Authority. Next, the Honorable Jerry Amante, who is the mayor of Tustin, California, and a member of the Orange County Transportation Authority Board of Directors.

If I am not mistaken, you are the chairman now, is it? Vice chairman. Thank you.

Mr. Greg Gatzka—I guess I got you switched up here, I am sorry—the Honorable Ashley Swearengin—thank you—the mayor of Fresno. And Mr. Gatzka is from the Kings County Community Development Agency. Next we have Ms. Elizabeth Alexis, co-founder of Californians Advocating Responsible Rail Design. And finally, Mr. Kole Upton, vice president of Preserve Our Heritage.

Again, I welcome all of you here today. And with that, I am going to go and pause until Mr. Denham—is he out there? He is still debating with his colleagues in the anteroom, a lot of work gets done in the hallways and the waiting areas of Congress.

But with that, while he is coming, we will go ahead and get started. Mr. Szabo, you can proceed.

TESTIMONY OF JOSEPH C. SZABO, ADMINISTRATOR, FEDERAL RAILROAD ADMINISTRATION; ROELOF VAN ARK, CHIEF EXECUTIVE OFFICER, CALIFORNIA HIGH-SPEED RAIL AUTHORITY; HON. JERRY AMANTE, MAYOR OF TUSTIN, CALIFORNIA, AND MEMBER, BOARD OF DIRECTORS, ORANGE COUNTY TRANSPORTATION AUTHORITY; HON. ASHLEY SWEARENGIN, MAYOR OF FRESNO, CALIFORNIA; GREGORY R. GATZKA, DIRECTOR, KINGS COUNTY COMMUNITY DEVELOPMENT AGENCY; ELIZABETH GOLDSTEIN ALEXIS, CO-FOUNDER, CALIFORNIANS ADVOCATING RESPONSIBLE RAIL DESIGN; AND KOLE UPTON, VICE PRESIDENT, PRESERVE OUR HERITAGE

Mr. SZABO. Well, thank you, Chairman Shuster and Ranking Member Brown, and to members of the committee. It is an honor to be here today to discuss the California high-speed rail project.

The State of California, if taken on its own, would be the world's ninth largest economy. And it is known across the globe for its entrepreneurial spirit, top tier educational institutions, and thriving communities. And California achieved this status because past generations recognized the importance of infrastructure, and invested accordingly in ports, in highways, water systems, railways, airports, and more.

Today, California's highways are amongst the most congested in the Nation, costing residents and businesses in Los Angeles and San Francisco alone nearly $13.5 billion last year. Delayed flights at six of California's major airports had an economic cost of more than $1 billion last year. Los Angeles to San Francisco is the most delay-prone short-haul market in the United States, with approximately one out of every four flights delayed more than an hour.

The stress on the State's infrastructure will become even more overwhelmed during the next 40 years. California's population will grow by 20 million more people, ultimately reaching 60 million by 2050. And that growth alone is larger than every State in the Nation, with the exception of Texas. But if you think highways and runways are crowded now, imagine what they are going to look like if they are 60 percent more crowded.

Today, highways in the State can have as many as 14 or 21 or, as we heard earlier, 23 lanes of traffic across. So how can we possibly make them any wider? It is imperative that these problems are addressed, and not just for the sake of California, but for the sake of our Nation.

The airports in San Francisco and Los Angeles are among the most important international gateways in the Nation, and the effects of delays at these airports span far across California's borders. American businesses rely on these airports to sell goods and services to customers all over the world, especially across the Pacific. If businesses can't reach these markets from America, they will look to locate their operations elsewhere.

Many regional trips can be made more efficiently through high-speed rail, shifting valuable landing slots from short-haul flights to more efficient and more profitable longer journeys that connect the Nation to international markets.

Now, don't just take it from me. When asked about whether he sees high-speed rail as a threat or a complement to the airlines, JetBlue's CEO, Dave Barger, said, "It is a complement. I don't think we need hundreds of departures every day from the Bay Area to Los Angeles." And Robert Crandall, the CEO—former CEO—of American Airlines said, "If I could do whatever I wanted to, I would upgrade the rail system. Tracks, equipment, and power. By doing so we would free airplanes, air space, and airport facilities for flights to places that cannot be conveniently reached by rail."

This summer this committee proposed a re-authorization bill that called on Government to better leverage its private investment. The California high-speed rail project is exactly that type of project. The system will generate net positive cash flow from its operations, incentivizing private investment in capital construction. And if you want to build it faster, if you want to build it cheaper, you can make it happen. The largest cause for delay on the project and escalation of cost is attributed to congressional gridlock.

California's approach is based on lessons learned from the international experience that existing assets can be used in the urban areas. The Central Valley will more than double in population over the next 40 years. Acquiring the right of way now, building through the Central Valley, is the best opportunity to save money during the course of this project.

Without this high-speed rail investment the State would need to invest an additional $171 billion to acquire the equivalent level of mobility: 2,300 miles of new highways, 115 new airport gates, and 4 new airport runways. California has a choice. High-speed rail will provide substantial fast, frequent, and reliable travel capacity more effectively, at lower cost, and with fewer overall impacts to California's natural resources than the alternatives.

And I will be happy to answer any questions the committee has.

Mr. DENHAM. [presiding.] Thank you.

Mr. van Ark.

Mr. VAN ARK. Mr. Chairman, Ranking Member, members of the committee, my name is Roelof van Ark, and I am the chief executive officer of the California High-Speed Rail Authority since 18 months. I come from the private sector, with 35 years of rail experience, including high-speed rail, and have built and been involved in such systems and PPP projects around the world. I am truly appreciative of having the opportunity to come before you today to talk about the progress of the Nation's first real high-speed rail project.

I would like to also recognize that my chairman, Tom Umberg, and a board member, Dan Richards, is with me here today—they are with me here today.

Mr. Chairman, we in California are at a crossroad. We can either continue to increase existing capacity on our highways and aviation systems to meet the population growth, or we can move into the 21st-century economy by doing what 24 other countries in the world have done or are doing: namely, implementing an efficient and effective high-speed rail system.

California stands ready to choose the latter, as witnessed in the passage of Proposition 1A in 2008. Currently there are 38 million people, 12 percent of the national population, in the State. Even relatively conservative estimates would have this population growing to 50 to 60 million by 2015. Explosive growth will bring with it increasing transportation infrastructure demands that will need to be accommodated.

It is estimated that in order to accommodate such growth—you have heard these figures before—2,300 lane miles of freeway, 4 additional runways, and 115 airport gates are needed. While many even question the feasibility of such expansion in the State, the additional environmental damage that that would result, due to automotive congestion, this will all be totally unacceptable. And the damage to quality of life that results from time lost sitting in traffic congestion, whether from personal perspective or from an economic productivity perspective, simply does not make sense.

So we stand at a precipice, poised to move high-speed rail from the planning phase to the implementation phase, and we are ready to start in 2012, less than a year from now, with shovels in the ground.

This high-speed rail system will alleviate 3 million tons of green gas emission spewing from tail pipes of cars which clog our congested roads annually.

And if that were not compelling enough, the cost and conservation in realistic terms of the California high-speed rail system pales in comparison with the cost of the "business as usual" approach. We will build a high-speed rail system that will provide a one-seat ride from Los Angeles to San Francisco by 2030, utilizing already existing local and regional rail services in the cities for $78 billion, which includes inflation. This does not take into account the contributions from the private sector which we have calculated to be in the magnitude of $11 billion to $20 billion. Alternatively, to accommodate growing use of the "business as usual" approach, the alternative cost to build the alternatives would be $171 billion.

California represents the best case for bringing high-speed rail to the United States. Connecting northern California with southern California—in the north approximately 10 million people, in the south 25 million people—is exactly right for a high-speed rail system.

Starting construction in the Central Valley is correct. It is the backbone of the system. It is a wise and prudent decision. The Central Valley offers us the ability to start construction at a place where we can purchase more miles of track per dollar than elsewhere in the State. It allows us to test the first real high-speed rail system—in excess of 220 miles an hour—in the United States, and will ensure the connection between north and south.

I would like to just make some comments on the business plan, because I was behind the business plan. I did the business plan. The 2012 business plan represents a just plan. It is predicated on realistic—some may say rather conservative, but robust—economic assumptions and the projections that provide for a transparent and brutally honest assessment of the costs and a realistic approach required to construct the largest public-private partnership effort in the USA.

I can confirm that the costs, the ridership and revenue predictions, peer reviewed by high-caliber international experts, the phased implementation approach, the blended system approach, as well as the participation of the private sector, are all based on solid and realistic assumptions, and are based on real-time experiences of high-speed rail systems developed around the world.

Mr. Chairman, our infrastructure needs a rail, and the demand of continually growing population will force us in California to meet these demands in one of two ways. We can build smartly, by employing lessons learned from countries around the world, or we can continue to stagnate while building systems that are less efficient, more environmentally damaging, and cost more.

I thank you for this opportunity to testify, and I am ready to answer questions. Thank you.

Mr. DENHAM. Thank you, Mr. van Ark. And just to clear one issue for the record, the legislative analyst's office in California just issued out their new report less than 2 weeks ago. And in that it says alternative cost estimate overstated the draft business plan—compares to the estimated $118 billion cost of constructing high-speed rail, with an estimated $170 billion cost of adding equivalent capacity to airports and highways. It then goes on to say this comparison is very problematic because $170 billion is not what the State would otherwise spend to address the growth in intercity transportation demand.

Further, it says capacity to carry 116 million passengers per year, but their highest forecasted ridership is significantly less than that amount, 44 million riders per year. That came from the leg analyst's office.

Ms. BROWN. Mr. Chairman?

Mr. DENHAM. Ms. Brown.

Ms. BROWN. Usually we let them finish, and then we ask them questions so they can respond. So he may want to respond to what you said. But I think the proper protocol would be to let all of them make their presentations, and then we can ask questions, and he will get a chance to finish his statement and respond.

Mr. DENHAM. Thank you, Ms. Brown——

Ms. BROWN. If you don't mind, sir.

Mr. DENHAM. I understand how to run a committee very well, but I will correct the record when I see something that is mistaken.

We will now go to the mayor, Mayor Amante from Tustin. Welcome to the committee today.

Mr. AMANTE. Thank you, Chairman Denham. Chairman Denham, Congresswoman Brown, honorable members of the committee, my name is Jerry Amante. I am here representing the elected board of directors of the Orange County Transportation Authority. I also sit on the LOSSAN Corridor Joint Powers Authority, which oversees service from San Luis Obispo through Los Angeles and Orange Counties into San Diego. And I am the former mayor of the city of Tustin, a major city along that LOSSAN corridor.

The Orange County Transportation Authority is a unique multimodal agency. It represents 3 million Orange Countians and Californians, and provides service to them through all strata of transportation except aviation. And it is from that multimodal point of view that we address our comments to California high-speed rail project and its business plan.

We believe that the high-speed rail should be reviewed in the context of investments in the LOSSAN corridor in general, and specifically with respect to that portion between Los Angeles and Anaheim, which would be part of the high-speed rail program. We own some 42 miles of right-of-way and jointly fund the operations of commuter rail through Metrolink in that corridor. Today that LOSSAN corridor, as Chairman Shuster alluded to, is one of the busiest in the Nation, second only to the Northeast Corridor. It carries 2.7 million Amtrak passengers every year, and a combined 4.5 million commuter rail riders on Metrolink and the Coaster.

In 2007, our agency, OCTA, invested $7 million to advance the environmental documentation for high-speed rail, the only public agency to advance money for environmental clearance of a segment to bring high speed. We believe that high-speed and intercity rail passenger investment is key to California's transportation future, connecting the northern sections of California and the southern Los Angeles Basin, which are some of the busiest Amtrak and passenger corridors in the State, are important to a State which, as has already been recognized by so many members, is about to explode in population to some 50 million or more by the year 2030.

Members like Richardson, Costa, and Sanchez have already spoken to the intense amount of investment we would have to make in ribbons of highway. And I live about 5 miles from that El Toro "Y," where those 23 lanes are, and the devastation to communities from further widening would be significant, and it needs to be acknowledged.

We are, therefore, grateful to the Federal Government for the investment it has made, the matching investment by the State of California of $1.8 billion in the last 35 years, and what that has meant to rail improvements throughout the corridor. We believe a strong Federal, State, and local partnership, and private funding partnerships through public-private partnerships to advance passenger rail are critical.

The latest California high-speed rail plan is a marked improvement over the 2009 business plan. The plan now includes a blended approach of providing service in our Orange and Los Angeles Counties, as requested by my agency, OCTA, and by the Los Angeles Metropolitan Transit Authority. It will provide a key and critical link between population areas and those new areas of track to be built. And specifically, we would call out an important need to connect Bakersfield to Los Angeles, and not have those big gaps in what we are providing in terms of passenger service today.

Notwithstanding that concern, we have grave areas of concern about the plan, itself. Many of them are detailed in my comments before the committee, and you have them before you. And some I am going to talk to other Members of this Congress have already spoken to you about.

Most important to us is the phased delivery approach. We believe that the introduction of this phased approach into the business plan is important because it connects two major population regions, and makes investments where you can attract public-private partnerships, where you have ridership, and where on most days there is standing room only on Amtrak service between Los Angeles and Anaheim. There is ridership there, and you can take advantage of it when connecting those areas. We believe the blended approach is very important for that reason.

We have already heard many people talk about project schedule, what it does to cost increases. We heard you, Chairman Denham, speak eloquently to the 1A issues of the State of California and to the funding of the financial plan. And we have been critical in our comments of the manner in which some of the Federal funding for high-speed rail can compete with CMAC, New Start, and other rail transit funding for programs that we and other transportation agencies have. We believe that that needs to be balanced.

Certainly there are operational concerns and cost comparisons. Of all of them, though, the phasing is the most important. Yet we believe that these approaches need to be balanced.

In conclusion, while our board has serious concerns about some of the specifics included in the business plan, we recognize the importance of investing. We believe that should include the bookends approach that we have recommended for the San Francisco Bay and Los Angeles areas.

We are highly cognizant of the challenges this committee faces as you try to do work to improve the transportation system for all Americans. We stand ready to work with you. I would be prepared to answer any questions.

Thank you, Mr. Chairman.

Mr. DENHAM. Thank you, Mayor.

At this time I would like to recognize the mayor of Fresno, Ashley Swearengin.

Mayor SWEARENGIN. Good morning, Mr. Chair, and members of the committee. My name is Ashley Swearengin, and I am the mayor of Fresno, California. I want to thank you for the opportunity to address you this morning. And I am pleased to offer my comments today in support of high-speed rail as a cost-effective transportation mode that makes a profit and drastically reduces travel times between regional destinations.

In reviewing the record of Congress, including this committee, I am pleased to see that there has been bipartisan support for high-speed rail dating back to the early 1990s, through Republican and Democrat administrations and Congresses alike. And as a Republican mayor and former economic development professional, I applaud that position and I share that view for three reasons.

First and foremost is high-speed rail's profitable business model. No other transportation mode in the world makes a profit and requires no public subsidies for operations. Yes, public dollars are required for the upfront capital costs, just as they are to construct highways or low-speed rail systems or airports. But once those capital costs are provided for high-speed rail, the operational costs are paid for by the fare box. And you cannot say that about any other mode of transportation.

The second reason why I support high-speed rail is the vast reduction in travel times it offers. Today, when Fresnans need to travel to Los Angeles they have four choices. They can go by car, they can go by plane, they can go by bus, or low-speed passenger rail, which is pretty much just taking a bus. Of those choices, the fastest option is to drive. And that is going to take 4 hours if you do not run into traffic in the LA Basin.

Well, what are the chances of not hitting traffic in Los Angeles? Well, they are pretty good, if you are willing to travel between 11:00 at night and 5:00 in the morning. With high-speed rail, travel times to the LA Basin are reduced by over 60 percent to about an hour and 20 minutes, and the same is true when connecting to the Bay Area.

I was asked recently when the last time is that I chose to take Amtrak. And my answer? I almost never take Amtrak, because it takes so much longer to arrive at my destination than if I just drove in my own car. I choose the fastest transportation option that I can afford, which is what most consumers do. Saying that Californians won't choose high-speed rail over their cars because they are not currently riding Amtrak is like saying, "I didn't like my dial-up Internet service, so I am not going to like a fiber connection to my home." It is the wrong measuring stick. And these two are completely different services.

The last major reason I believe we need to pursue the development of high-speed rail in California is because of the affordability of the ticket price. The business plan indicates the fare on high-speed rail will be priced at 80 percent of what an airline ticket costs between LA and San Francisco, which is a tremendous cost savings for us, in the middle part of the State. You see, a round-trip ticket from San Francisco to LA is between $120 and $180. But if you are in Fresno trying to fly to either LA or San Francisco, you have to be prepared to pay at least $250, and that is if you buy your ticket a month in advance. As much as $1,400 to $1,500 if you try to book a flight just a few days in advance.

So, again, we are talking about a transportation mode that makes a profit, requires no public subsidy for its operations, and can be fully commercialized and operated by the private sector. Reduces travel times by over 60 percent for regional travel, and offers an affordable ticket price, especially for Fresnans, who are paying in some cases 10 times as much for regional air service as other cities in our State. This is something worth pursuing.

No city will benefit more from high-speed rail than Fresno, which is a city of 500,000 people—and yes, some cows and vegetables—situated in one of the fastest-growing regions in the country that already houses 4 million people. Unfortunately, Fresno's distance from other major urban areas has limited our economic opportunity. Unemployment rates today range from 14 to 40 percent in Fresno County. Our region struggles to gain access to the economic networks of the LA Basin and the San Francisco Bay area. High-speed rail changes that dynamic for a city like Fresno, which is why our local business organizations endorse this project.

And with permission, I would like to submit today for the record letters of support from the Greater Fresno Area Chamber of Commerce, the Central California Hispanic Chamber of Commerce, the Fresno Area Hispanic Chamber of Commerce, the Fresno Metro Black Chamber of Commerce, and the Economic Development Corporation serving Fresno County. The membership of these organizations is comprised of literally tens of thousands of businesses from throughout Fresno and the central California region.

Also with permission I would like to submit letters of support from the Fresno County Council of Government, the Kern Council of Governments and the city of Visalia, also in support of high-speed rail.

And finally, with permission, I would like to submit today for the record a June 7, 2011, op-ed written by the mayors of Los Angeles, San Francisco, San Jose, Sacramento, and Fresno. Together, we lead cities with a combined population of 6.5 million people. And while there are differences between these mayors when it comes to partisan politics, we recognize what a smart solution high-speed rail can mean for one of the biggest challenges our State faces: transportation and mobility.

And without solutions for California's transportation challenges, our economy is hamstrung. And California's economy being hamstrung does not bode well for the rest of the United States.

And I would like to close now by just telling you a story about a business called Commercial Manufacturing that is known worldwide for the manufacturing of food processing equipment. If you have ever popped one of those meal-in-the-bags kind of bags into the microwave and eaten a meal, you know you have eaten something from Commercial Manufacturing. It is a small business that employs 41 people. They export their products all over the world.

Well, their world headquarters are at 2432 Railroad Avenue, which is in Fresno, California, right on the path of the high-speed rail alignment. So, of all the people you would expect to be upset about this proposed train, it would be Larry Hagopian, the owner of this business that has been in his family for a number of years. But his reaction to the project? He says this. "I see this as an opportunity to upgrade our facility, which will allow us to improve our manufacturing techniques, increase our sales, and increase the number of employees that we employ.

“Also, as a lifetime resident of Fresno, I see this project as a chance for Fresno to clean up its south and west sides, and bring more people back to the core of downtown, not to mention the positive economic impact on the community from the jobs associated with high-speed rail.”

And I think his statement captures a sentiment that I wish to convey to the committee today. I recognize it is not without its challenges. Mr. Chair, you have made some very good points today and things I also recommend that we take a look at. But I urge this committee to support high-speed rail, and I urge your help in clearing the way for high-speed rail in our Nation. Thank you.

Mr. DENHAM. Thank you.

Mr. Gatzka?

Mr. GATZKA. Thank you and good afternoon, Chairman Denham and members of the committee. I am here before you today to share some of our experiences and/or observations on how California high-speed rail is failing in California, in terms of their planning.

I represent Kings County, which is a small, rural, agricultural county located in the rich agricultural growing region of central California.

Mr. DENHAM. Mr. Gatzka, can I ask you to pull your microphone a little closer?

Mr. GATZKA. Absolutely. There we go. Is that better? OK.

I represent Kings County, which is a small, rural, agricultural county in central California, also known as a region of the San Joaquin Valley. And in that region and in that county we are highly patriotic, as the county and our four cities are also home to the western strategic defense base called Naval Air Station Lemoore, one of the reasons we protect agriculture.

High-speed rail plans to propose 28 miles to run through our agricultural county, and we face the greatest agricultural impacts along the first construction segment. As a result, that project will potentially devastate our local communities. But in trying to work with the California High-Speed Rail, we have been treated with disregard and silence. And this is in particular to Mr. van Ark and also Mr. Szabo. When it comes to our legitimate concerns, our property owners are treated with right-of-way consultant agents that come out and intimidate, with the threat of taking away their land through eminent domain.

In terms of specific impacts that have not been addressed even to this day, some of those include 7,000 acres of farmland in our county that will potentially be disrupted; 11 dairies that will require repermitting and relocation; a critical cow rendering facility that we have that serves 800 dairies throughout the Valley; our very own Kings County Fire Station number four, that also has our emergency medical helipad SkyLife helicopter; also our fire search and rescue helicopter that serves CAL FIRE; and also our sheriff’s patrol helicopter. In addition, that is also our regional firefighter training grounds that is going to be impacted by this, and has not been addressed.

Also, unanalyzed switch of Amtrak San Joaquin service has not been addressed by the High-Speed Rail Authority, but yet they allude to it in their business plan, which will also devastate our local businesses.

Why aren't these issues and impacts being addressed by the California High-Speed Rail? It is because of their faulty 15 percent design approach that does not give us the answers for what they are proposing to come through our county. And how that is going to be integrated with our existing infrastructure and our communities.

In addition, the expedited public processes that they have employed rushes to approve their project simply to spend Federal funds at the expense and sacrifice of our local communities. Their attitude is, "We only need to listen to the Federal Railroad Administration and we don't have to deal with local impacted communities."

In fact, their project EIR and EIS released for only a minimum 45-day public review comment period—then extended for a token 15 days—included 30,000 pages that we were forced to have to review to find those answers. What we found was deferred impacts, in terms of their analysis and mitigation for impacts related to high-speed rail in relation to our communities. After project approval, they will figure out those answers. They rely on contracted right-of-way agents to take care of business after the project approval process. Full public disclosure has not occurred, and the impacts are not addressed in any accountable manner.

Our county is not against enhancing transportation where it makes sense. But we cannot accept the manner in which the California High-Speed Rail Authority continues to carry out business. And we are not alone. Communities along the proposed route are also up in arms. Just to inform you, just even last night, the Bakersfield City Council voted six to one to oppose any high-speed rail coming through their community because of the same issues that we are dealing with which are unaddressed impacts.

So, in closing, I want to thank you for the opportunity to speak, share what we are experiencing in Kings County in relation to California high-speed rail, and I also wish all of you the best in your endeavors to make sure that you bring accountability to not only this project, but also the use of taxpayer funds. Thank you.

Mr. DENHAM. Thank you.

Ms. Alexis?

Ms. ALEXIS. Mr. Chairman, thank you for the opportunity to appear before you. My name is Elizabeth Alexis, and I am the cofounder of Californians Advocating Responsible Rail Design, also known as CARRD. I have spent 3 years analyzing the business plans and ridership forecasts.

We believe in rail. But this project is on the wrong track. It costs too much, it takes too long, and it delivers far, far too little. If you liked the Big Dig, you will love California high-speed rail. This is a project of the consultants, by the consultants, and for the consultants.

For most of its existence, the California High-Speed Rail Authority had been off on its own, operating as a small, poorly funded organization disconnected from the regional transportation authorities. Impacts had been downplayed to secure support. Critical decisions about the route were made without feedback on their feasibility or consequences.

The route was divided up into 10 different segments of about 80 miles each. A different firm was hired to plan each section. Each of these firms hired their own team of consultants. Another firm was hired to oversee these consultants. And their work was to be reviewed by yet another engineering firm. No consultant was to be left behind. Four layers of consultants overseen by seven staff members. You can imagine the communication difficulties, the coordination issues, and the limited flexibility.

Planning work, top-down, heavy-handed, one-size-fits-all. Reminiscent of the worst aspects of highway-building, resulting in designs that are both expensive and bad.

Things got worse when the project won stimulus funds. These had deadlines that drove decisionmaking in California, and put everything into high gear. The ridership model has flaws that render it not just useless, but dangerous. Plans to redo it? No time. Plans to reform the highly politicized governing board? No time. Despite voter concerns with the cost, and legislators' fears that the project will be a money pit, there are pressures to continue moving forward without fixing the problems. Job claims have been hyped, and legislators have been told they need to act now, or there will never be high-speed rail in California.

If the project moves forward as is, there is a good chance that the State will be forced to spend more money trying to salvage something useful from the initial construction. And in California, this means there will be little money for other infrastructure projects like water. Congressman Cardoza mentioned devastating cuts to higher education. Well, there will be more of the same.

The current route is so destructive to cities and agriculture that there may not be any net jobs to show for it. Respectfully, Mayor Swearengin, in cities like Fresno you could not run over more businesses if you tried, and many will not survive the move.

The $3 billion of Federal funds is the tail wagging the $98 billion dog. The project is now at a crossroads: 2 years ago, costs were $43 billion, and today $98 billion. There will be no private investment. And California will be looking to you for another $73 billion to complete the project. Public subsidies will be almost more than $100 for every passenger in the first 30 years of operation, which is higher than the ticket price. The $171 billion figure thrown around ignores cheaper ways of addressing congestion, like the congestion pricing in Los Angeles, and the airport's plan to be more efficient.

The stimulus money, along with California's money, will buy unelectrified tracks in the Central Valley that won't run high-speed rail trains until an additional $25 billion is found to extend the line to either the Bay Area or somewhere near LA. These cost increases are blamed on design changes. But most of these should have been anticipated, or had actually been made prior to the low-ball December 2009 estimate. There have only been excuses, not investigations. The cost per mile is two to five times what it would cost to build this in Europe. And the route is needlessly long, an extra 100 miles from San Francisco to Los Angeles.

You have to ask yourselves, "We may have only $6 billion to spend, and this is what we choose to spend it on?" There is no more funding on the horizon, and there may not be any more, given the challenges the Authority has had in executing. There are so many other urgent transportation needs, like we have heard about in Los Angeles, that could also help advance high-speed rail.

The project needs flexibility from the Federal Government so it can take a time-out. It needs to get an independent ridership study. The current one predicts ridership from San Jose to Bakersfield will be as high as the entire Northeast Corridor. It is broken. The current relationship between the Authority and its consultants is unhealthy. If the private sector is driving planning, it needs to have skin in the game.

Mr. Chairman, supporters like to compare this project to the Golden Gate Bridge. But this is fool's gold. Do we need high-speed rail in our State? Absolutely. But the train we are on is in the wrong place, it costs too much, and it delivers too little. Thank you.

Mr. DENHAM. At this time the chair recognizes Mr. Kole Upton, vice president of the Preserve Our Heritage, as well as a local Valley farmer.

Mr. UPTON. Thank you, Mr. Chairman, committee members. I do represent Preserve Our Heritage. It is a group of citizens, farmers, about 200 to 300 of us in Merced and Madeira Counties that have concerns about this project.

We first received word that our land was impacted in November 2009, with a letter from the Authority. What we did, we went to the next Authority board meeting and expressed our concerns that the route was not following the guidelines of minimizing the impact of ag land and using existing corridors. The chairman at that time was Mr. Pringle. He urged us to roll up our sleeves and participate in the process. We thought that was a good idea, so we have done that for 2 years.

In March of 2010 the route that we were complaining about, A3, was taken off the table. I then got on some technical committees as an elected official, two water districts. Prior to that it was just city and county officials, but we got some rural members on there.

In June of 2010 I made the question, "Do you support any 'Y' north of the Chowchilla"—that is the "Y" section. Unanimous opposition by every public agency. Yet, in July of 2010, the High-Speed Authority comes out with a route called "The West Chowchilla Design Option." Yes, you guessed it: north of Chowchilla. So I asked the question, "Why would you choose something that was unanimously opposed by everybody, if this input process has integrity?"

"Well, the city of Chowchilla wanted it." Well, the city of Chowchilla immediately said, "No, it wasn't us. We don't want it," and they are still actively opposed today.

So then they said FRA wanted it. So we did a Freedom of Information request to the FRA December 3, 2010. Despite the best efforts of Mr. Denham and Mr. Cardoza, we have received nothing from the FRA. So, unless Mr. Szabo brought it with him today, we still don't have any answer as to why FRA would demand this particular route, which is the most abominable one possible. It does not follow an existing corridor. Not even the local wildlife use it as a corridor.

The impact to farmland. The problem is when it goes through it impacts facilities that we have had in place for decades. And Mrs. Napolitano is aware of this, because she has helped us with the water district facilities that kind of thing. It takes out an entire canal in my district, the pumps, the deep wells, the transfer facilities. And it has taken decades for this to develop. We are some of the most water-efficient farmers in the world, but this is going to hurt us.

If you are going to do this project, it ought to be integrated in with the infrastructure that exists now. And in order to do that, we have to work together.

Now, these construction workers, there is a lot of them at the meetings we go to. When we talk to them, they don't tell you, "We want a job, but it only can be high-speed rail." They just want a job. And there is plenty that can be done in the Central Valley.

One, we can build Temperance Flat. Cost them about $3 billion, which would give us a much better water supply and ensure that we could supply food and fiber for the people of the United States. We are one of the only five Mediterranean growing regions in the world.

Now, one place that it did create jobs was in the EIRs. When the draft EIRs—as Mr. Gatzka pointed out—came out, we had to hire EIR specialists and lawyers in order to get through it. I personally went through the one through my area as we divided it up with Preserve Our Heritage. The problem, one, the roads were misidentified, the counties were misidentified, and the rivers were wrong. In order to comment on it, I had to rewrite it.

So we are going to challenge that EIR. And in so doing, we want to make it clear that we support Kings County, because Kings County is first up on this thing. And we know if they get thrown under the train, we are next. So, it is important that they start treating ag right, and they start going by the guidelines that are in place.

We want to support our legacy and our heritage. My father started my farm when he got back from World War II. He started with 100 acres. He had spent 3 years in Europe. And I live on my farm, my son lives on my farm, and my brother lives on my farm. It is not something that we are going to give up easily. So—I think Kings County is in the same position.

I assume you brought me here for my opinion. If the opinion is of a taxpayer where to spend the money, you ought to do it like Willie Sutton said. He robbed banks, because that is where the money was. For goodness' sake, put this high-speed rail where the people are. If it is the northeastern corridor, if it is Anaheim to San Diego, if you insist on doing it in the San Joaquin Valley, like the FRA apparently wants, then do it on the west side. They don't have any water over there anyway, there is not a lot of impacts, and it would be a straight shot from San Francisco to LA.

But if you insist on doing it in the central part, on the east side of the San Joaquin Valley, I am reminded of a story back in the last century of an old farmer that took his mule to town every day. And a salesman approached him and said he could really improve on that situation, and convinced the farmer to buy some roller skates for the mule. OK. The mule, yes, he could get to town a lot faster, but it wrecked havoc all along the way. That is like this high-speed rail. OK? If they don't do it right, they are going to wreck havoc all along the way.

So, we are looking for you folks to help us with that, to do it—if it is done right, let's do it and do not impact the farmland. Thank you.

Mr. DENHAM. Thank you, Mr. Upton. I would just inform the committee that Mr. Szabo, the administrator for the Federal Rail Administration, does have an engagement at 1:00. And so you may want to direct your first round of questioning with that in mind. And that is exactly what I plan on doing first.

So, first of all, we had a hearing last week with Secretary LaHood testifying regarding the California high-speed rail project, that—"We won't be dissuaded by the naysayers and the critics," was his quote. The critics here, however, are not simply just individual citizens, but also the non-partisan legislative analyst's office in California, the same as GAO, which has said, "It is increasingly likely that the ICS may be all that is ever built," and also the peer review group, who has also said, "The Central Valley portion would yield an asset of very little value."

So, the question is, if that is the likely outcome, why wouldn't the department of transportation re-evaluate whether the project is worth more than $3 billion in Federal funding?

Mr. SZABO. Well, we continue to support the California High-Speed Rail Authority in the efforts of Governor Brown. We continue to believe that the need for the project is indisputable. And we also believe——

Mr. DENHAM. Do you disagree with the findings——

Mr. SZABO. And we also believe that the work that has been done with this most recent business study, which has gone through a very, very thorough international peer review, is a very, very conservative document that begins to address many of the legitimate concerns that folks have had. But we continue to believe that it is—from all analysis, continues to be a very strong and very doable project.

Mr. DENHAM. Thank you. Mr. Szabo, you said, "from all analysis." I would just remind you that California has a—almost a super-majority of Democrats in the Assembly, almost a super-majority of Democrats in the Senate, and has a Democrat Governor. You would not say that the non-partisan legislative analyst's office is a conservative estimate by any means, would you?

Mr. SZABO. What I would say is we find it interesting that they have had no dialogue with us—none, not one conversation. And, frankly, we believe that we can provide a lot of professional technical analysis and assistance that is based on our experience from looking at projects around the world from decades of experience and, quite frankly, could probably clarify a lot, an awful lot of the misconceptions that they have.

Mr. DENHAM. So State and Federal Government are just not communicating?

Mr. SZABO. The State government and our office is communicating very effectively. California High-Speed Rail, we are communicating very effectively. My point is that for some reason the LAO has not chosen to engage us at all in any discussion, not one, to better understand some of the issues and some of the concerns that they raise.

Mr. DENHAM. Have you reached out to them?

Mr. SZABO. I can find that out for you. I don't know. I have not, personally.

But again, if they are doing research and want to be unbiased and accurate, isn't it incumbent on them, as they do their research, to make sure they talk to everybody that is appropriate?

Mr. DENHAM. I——

Mr. SZABO. I mean you don't limit your research to just those sources that you want to hear from.

Mr. DENHAM. No, I would absolutely agree. But the California taxpayers are on the hook for $9.95 billion. And in that bond it was written in that the legislature could call that back at any time with a majority vote.

So, before the Federal Government comes to this committee and says, "We need $50 billion for high-speed rail, all of that going to California," I would assume that California's commitment of $9.95 billion, at the minimum, would—there would be a conversation there. I mean that would only seem likely. And if California is not communicating with you, well, I don't know why you would obligate the rest of the taxpayers across the Nation on anything further. So my recommendation would be to—I will recommend to them as well—but obviously, we need to start some better communication.

Second question I have is you note in your testimony that Amtrak's San Joaquin's service could be routed over the IC's infrastructure. What is the likelihood that service would ultimately be routed over the ICS, assuming that it stops right there, which is what is covered under the current legislation. If it stops there, what is the likelihood that Amtrak would actually use——

Mr. SZABO. A couple of points. A couple of important points. I mean first off, should there be a delay in constructing the first operable segment, we very easily could use this completed segment for operation in the San Joaquin's.

And it is important to note that that is the fifth largest—fifth most utilized, most heavily used route on the Amtrak system. That region is home to almost 6 million people. The Central Valley, you know, people are calling it nowhere. If taken alone, it would be larger than two-thirds of the States in our Nation. So this isn't nowhere. It is an area that has significant population. And that segment most assuredly would be used.

Mr. DENHAM. And just to be clear, the construction segment is the $5.2 billion segment, which is covered under the $3.6 billion from the stimulus dollars, with additional funds coming from the State.

Mr. SZABO. Right.

Mr. DENHAM. The operating segment—so the construction segment that we are talking about Amtrak using would be from just north of Fresno to just south of Fresno. So——

Mr. SZABO. Yes. Again, assuming——

Mr. DENHAM [continuing]. That would actually——

Mr. SZABO. Assuming that there were some delay in completing the first operable segment, the construction segment could be put into use very, very quickly, very, very easily. And that would provide immediate utility for that segment.

Mr. DENHAM. It is my understanding—and, Mr. van Ark, you can clarify me, if you would—but the construction segment, the $5.2 billion, does not connect with Amtrak. But the operational segment which goes from Fresno to Bakersfield does connect, the difference being about $25 billion, one is $30 billion, the other is $5.2 billion. So we are going to have to come up with not only the State obligation, but another $30 billion on top of that.

Mr. VAN ARK. Mr. Chairman, the initial construction section starts close to the "Y." That means north of Fresno. It is approximately 130 miles, and it stops just south of Bakersfield. So it is a 130-mile section.

The initial operating section goes either to San Jose in the north, or alternatively—that would mean from Bakersfield all the way to San Jose, or from Merced all the way down to the San Fernando Valley. That would be the first initial operating section.

Mr. DENHAM. So the construction segment of—the $5.2 billion definitely would——

Mr. SZABO. Can easily——

Mr. DENHAM [continuing]. Would be usable for Amtrak.

Mr. SZABO. Can easily be usable.

Mr. VAN ARK. Correct, correct.

Mr. SZABO. Yes, yes.

Mr. DENHAM. Thank you. And what happens to Federal funds if voters of California rescind the State bond, either through going back to the ballot, or if the State legislature, on a majority vote, decides to pull back the funds? What happens to the Federal funds, Mr. Szabo?

Mr. SZABO. Well, I don't think I want to speculate on what California voters may or may not do. We have made a commitment to the California High-Speed Rail Authority and to the people of California on this project. We are going to deal with the facts that are at hand.

And, you know, we are committed to completing the first construction segment. We believe that if the first operating segment is completed, it will in fact turn a profit day one and be the catalyst that we need to bring in the private investment.

I think that is the most important thing to remember here. We are truly talking about a public-private partnership. And the worst thing that we can do is show uncertainty. Because if you are showing uncertainty you are actually generating risk for the private sector that is going to minimize their willingness to come forward. And right now there is very, very strong interest from the private sector in this project.

And so, we need to be taking all the steps that we can to ensure the project's viability, and to present that foundation for the private sector investment.

Mr. DENHAM. My question is, the same way that if I were going to invest in something as a private investor, I would make sure that there was certainty, as well. I would make sure that if funds were not available, if the other side did not do what they said they were going to do, that I would have an ability to pull out of my obligation.

Now, I know that there is no obligated private investor out there. But, from a Federal perspective, you are obligating Federal taxpayer dollars. So there must be some type of contingency to say if California does not come up with their fair share, the Federal Government is able to rescind theirs.

Mr. SZABO. We are committed to the project. We have made the obligation, and we stand behind our commitment.

Mr. DENHAM. So if there is no private investor and there is—just want to be clear—no private investor, California doesn't come up with their money, which they have not done to date—which the attorney general or the Governor has not come up with the money, neither has the State legislature—if that money does not exist, you are still willing to put more Federal dollars out there than what we currently have? That is the Administration's——

Mr. SZABO. We are not talking about more Federal dollars at this point. I am talking about the commitment that we have made in this initial obligation. We have made it, we are committed to the first construction segment, and we are not going to flinch on that support.

Mr. DENHAM. OK, but there is no——

Mr. VAN ARK. And, Mr. Chairman——

Mr. DENHAM. Mr. Szabo, there is an important aspect here. The initial segment is $5.2 billion. You can correct my math if it is off anywhere. I believe it is $5.2 billion. Of that we have $3.3 billion left in stimulus dollars.

So, are you saying we are going to go ahead and obligate the $3.3 billion to this first part of the project, regardless of whether or not the State ever comes up with their matching dollars?

Mr. SZABO. That obligation has already been made. We have legally obligated those dollars already, and we are prepared to move into construction in spring.

Mr. DENHAM. You have obligated them with the $2 billion of State dollars.

Mr. SZABO. They are obligated based on all of the appropriate contingencies, of course, you know, to make sure that California High-Speed Rail meets all their obligations. So, you know, of course there is a list of contingencies that ensure that that first construction segment goes forward in accordance with the cooperative agreement That we have signed with them.

But provided that all of those contingencies are met, you know, we stand behind—the worst thing we could do is make obligations to folks, and then start to renege on our word.

Mr. DENHAM. OK. Let me ask the question a different way.

We start obligating dollars, the money starts getting spent. Shovels start getting put into the ground. If the State government reneges, if the State government does not put their money out there, do you continue to spend the $3.3 billion?

Mr. SZABO. Well, here. Again——

Mr. DENHAM. If there is a contingency in place, there has to at some point be——

Mr. SZABO. Yes.

Mr. DENHAM. The money is not there today.

Mr. SZABO. I am not going to speculate on what the State may or may not do. But certainly all conditions of the cooperative agreement have to be met before we expend dollars.

Mr. DENHAM. Sir, I am not asking you to speculate. I am just making sure that you have a safeguard to taxpayer dollars.

Mr. SZABO. Of course, through the cooperative agreement. So all of the conditions—we sign an agreement. We sign a cooperative agreement with the California High-Speed Rail. It outlines all of the requirements for that agreement to be satisfied, and allow for the expenditure of the dollars.

So, you bet there are significant safeguards built into each and every one of these agreements we sign with the State.

Mr. DENHAM. Thank you. This committee would request a copy of those documents.

And, by the way, we are still waiting for the documents that Secretary LaHood had promised that we would have before this committee started. So just as an FYI.

I am way over my time. I will certainly be very lenient with the time of other Members. And at this time I would like to recognize Member Napolitano.

Mrs. NAPOLITANO. Thank you, Chairman Denham. It is interesting. As you know, most of you have already had conversations with me at one point or another about how I feel, and how I have questions. Not only have people stated that they have to appease me—it is not me, it is the cities that I represent who have concerns about the issues on the high-speed rail moving forward.

Mr. Szabo, there is a couple questions. Well, first of all, let me say to Mr. Denham that I am—and I did mention it to him—that I am disappointed that nobody from the LA County—only about 13 million people—are represented here. It is a major community that is supposed to be a player, and it is not. And again I go back to the fact that we have not had a continuing dialogue with the High-Speed Rail Authority for almost two—a year-and-a-half. And that is the last time that I know that we have been asked to sit at the table to talk about what is happening. And I hope that changes. Otherwise, you will be hearing from me again.

There are assertions about the ridership of—that is going to pay for itself, that is going to be a boost to the Central Valley, the hardest hit on unemployment, that it is going to create all these—and those facts, those figures, are coming from somewhere. But we don't know whether they are viable or not. Who is making those figures up?

And I agree with the gentleman from the Valley on the water issue, because that is one of the biggest things that we try to protect, is the delivery of the water for the farms to continue to produce—the breadbasket of the United States and for the rest of the world in many areas. Is that growth viable?

And then the other question that comes up—and this is to anybody—who owns the major country high-speed rail abroad? Who owns it? Who controls it, so that you don't have to pay for the land, which—it is part of the biggest cost of this high-speed rail issue.

And you talked, Ms. Swearengin, about public rail paying for itself. Not even Amtrak pays for itself. So it is always subsidized. This will continue to be subsidized.

Mr. VAN ARK. No.

Mr. SZABO. No.

Mrs. NAPOLITANO. Well, that is only assumptions. Again, you are saying don't use assumptions, but we are allowing you to make assumptions. So unless you can really corner them and State where those assumptions are made from, it is not usable.

Then there was an issue not too long ago of where analysts were saying that the cost to build—the guesstimate cost to build the high-speed rail would have been less than what is now projected. Number one, because there was high unemployment, and people were hungry to get to work. There was a lack of being able to get materials, et cetera, but that became a non-issue. Yet I have heard from others that this is—would have been less, but the figures that are being used are blown up, they are more than they should be. So, I mean, it brings a lot to the—to—back into this fray.

And to Mr. Szabo, the monitoring and oversight, does that also include the ability for High-Speed Rail Authority to work with the communities, and ensure that they have not only the right-of-way, the past resolutions—as you heard, many cities have already passed resolutions banning it going from city—because I was told by High-Speed Rail Authority in a meeting with my three COGs—77 percent of the cities in LA County—that there was no option for them, that it was going to, whether they liked it or not. And I raised my hand and I said, "Yes, you do. You go to court."

Mr. SZABO. Congresswoman, you have had so many questions in there, it is hard to——

Mrs. NAPOLITANO. And I can keep going, too, Mr. Szabo.

Mr. SZABO [continuing]. Work through them all. And I think there are good answers to every one of them.

First off, let's talk about working through the communities. And, you know, it comes back to something that Congressman Denham said earlier, you know, Congressman, your frustration with the NEPA and the CEQA process. But unfortunately, that is the process that ensures that the communities get a voice, a very, very necessary voice.

Mrs. NAPOLITANO. Just for a second, Mr. Szabo——

Mr. SZABO. And that is why we have to work through that process.

Mrs. NAPOLITANO. Yes. But——

Mr. SZABO. If I can——

Mrs. NAPOLITANO [continuing]. Let me clarify NEPA/CEQA. We are trying to clarify that for California here in this committee, trying to make sure that it is acceptable to use NEPA and CEQA——

Mr. SZABO. Yes, yes.

Mrs. NAPOLITANO [continuing]. Without having to go through——

Mr. SZABO. But I would like to come back, you know, to the frustrations and the concerns of the—that Kings County raised. You know, it is one of the reasons why, you know, in October we announced that we were going to do a supplemental environmental study for them, you know, re-open the record. And it was a matter of listening to the concerns that they have, and trying to find a way through the process, to make sure that the community has an opportunity to engage.

So, absolutely. You know, we monitor and work with the California High-Speed Rail Authority through that environmental process. It is a requirement of law and, you know, is an important tool to make sure that a lot of these important issues and frustrations, concerns that communities have, have a process to get flushed through, and to make sure that there is a good record from which the final determination is based.

Mrs. NAPOLITANO. Have you been in contact with my COGs, my councils of government in LA County?

Mr. SZABO. Certainly they have been a part of the environmental process, yes.

Mrs. NAPOLITANO. When? I am sorry, but I have not heard from them, so I can't say that truthfully. I am sorry, go ahead.

Mr. SZABO. No, but certainly I can allow, in a minute, Roelof to comment on what their outreach efforts have been through the environmental process. But I would really like to come back to the ridership, because I think there is a couple of very important points to be made there.

First off, if you take a look at the ridership analysis that California High-Speed Rail did in their business plan—and I will let Roelof drill down a little deeper on this in a minute—but it is actually very conservative.

When it went through the international peer review—again, by those that have built and operated high-speed rail around the world for decades—it was found to be very, very conservative and used as a ratio that is actually less than one-to-one, population versus projected ridership. And if you take a look at most of the systems around the world, it is substantially higher, usually a three-to-one ratio, or—you can correct the record if I am wrong—in France is it almost a four-to-one ratio.

The comparison to the Northeast Corridor is a very, very false comparison. It is not even apples to oranges. It is an apples to bananas comparison, for a couple of reasons.

Mrs. NAPOLITANO. OK, Mr. Szabo, we are running out of time. Would you mind wrapping it up?

Mr. SZABO. OK. The biggest reason you can't compare the two is, first off, the Northeast Corridor is capacity constrained today. Ridership is stunted because virtually every train is selling out. So we are not even measuring what the ridership potential is there if there was sufficient capital to make additional investments there.

Secondly, the type of service that California High-Speed Rail is talking about is much different and far superior to the existing Acela service that exists today. Acela would be considered more what we call regional service under the new high-speed rail vision.

Mrs. NAPOLITANO. OK, thank you. And I have been to—with Ms. Brown. She invited me to a CODEL to all these foreign countries. I rode on them. We talked to the boards. We asked questions. So I am aware of how they operate and where they operate.

So—and you talk about apples to oranges. They travel at almost—what, 225 miles per hour, Corrine?

What is the highest speed we are going to be able to achieve here? Because the stretches are so small, in terms of some of the—not the inner cities, but some of those areas. I know my topography, too, a little bit. Not that well, but——

Mr. SZABO. No, the vision for the California project is 220 miles per hour.

Mrs. NAPOLITANO. In some areas. But in my area——

Mr. SZABO. Substantial——

Mrs. NAPOLITANO [continuing]. When they were looking at going from LA to San Diego, they were going to destroy a built transportation center because it had a curve in it, and build a new one. And

I think, "Well, wait a minute. What—how sense does this make—how much sense does this make?" And to build a curve over into Santa Ana area, to the Orange County instead of all the way down to San Diego, doesn't make quite sense by curving it or coming back and making two rail heads.

There is a lot of explanations that have not been clarified. And we need to be able to say—if this is a second phase and we are in it, then we want to be sure that the Authority is working on the same——

Mr. SZABO. Right, right.

Mrs. NAPOLITANO [continuing]. From the same plan that we need, not that the Authority wants, but that the people who represent those areas are able to determine that this is the best for them, and that the ridership is there, and that they can afford to be on it.

Am I correct? Anybody? Please answer real quickly, because I got to get off.

Mr. AMANTE. Congresswoman, I will just venture out and say you are right. We will take my area in Orange County, where we own the right-of-way, and that would be part of the track that would be shared track for high speed in those segments. It is certainly not going to travel 220 miles an hour there. It won't through most urban areas. But it is an area dense with riders, it is an area that can provide ridership.

It is an area where it will attract private-public partnerships, because the private sector has an opportunity for the two things they need. One is the opportunity for profitability so they would invest, and the second is the certainty of ridership and the certainty of investment from both the public and the private sector.

Where those areas exist, yes, you can have a profitable system that operates and operates well. It won't operate in the same way you have it in foreign countries. It won't be on strictly straight tracks. And it won't move at speeds of 225 miles throughout the system. It can't. It may get you where you want to go. Maybe not in 2 hours and 40 minutes. But when you have connected all the segments over time, it will get you to the places you want to go. In urban areas it will move at greater speeds.

What is most important to the rider is that they have an opportunity to have another option other than the car. In our area in Orange County, people who ride public transit, buses, rubber tire applications, generally are the working poor and students, $25,000 a year and under.

Mr. DENHAM. Mr. Amante, thank you.

Mr. AMANTE. People who ride the trains choose to do it——

Mr. DENHAM. I have got to interrupt you. I know Mr. Szabo is very close to leaving——

Mr. SZABO. Mr. Chairman, I have got my deputy here, and Karen Hedlund is prepared to slide in. So don't worry, we will continue to have representation here.

Mr. DENHAM. Thank you. And we will come back to a second round of questioning.

But at this time I would like to recognize Mr. Harris for 5 minutes.

Dr. HARRIS. Thank you very much, Mr. Chairman. Thank you. And I will direct my questions, earliest questions, to Mr. Szabo.

But Mr. Upton, I just wanted to lead up to that. I read your testimony and it says that you have sent an FIOA—FOIA request to the Railroad Administration on December 2, 2010.

Mr. UPTON. Yes, sir.

Dr. HARRIS. You still have not received a——

Mr. UPTON. We have not received. We asked for Mr. Denham's help and also Mr. Cardoza.

Dr. HARRIS. Now, Mr. Szabo, that is your shop, isn't it?

Mr. SZABO. You bet it is.

Dr. HARRIS. OK. Now, the chairman—you know, you had suggested that, you know, when someone wants to do their due diligence they ought to come to you and ask for information. That was your testimony just 10 minutes ago, wasn't it?

Mr. SZABO. It is.

Dr. HARRIS. OK.

Mr. SZABO. It absolutely is. And if I may say——

Dr. HARRIS. Now, Mr. Upton's group came to you——

Mr. SZABO. Sir, if I may say for the record——

Dr. HARRIS. Sir, sir, it is my turn to ask the question. Your turn to answer.

Mr. SZABO. OK, please ask it. I really want to——

Dr. HARRIS. I haven't asked the question yet. Is it true that Mr. Upton's group sent a request 1 year and 12 days ago, and your Administration has been unresponsive to that request? That is a yes or no. You either responded——

Mr. SZABO. The answer to that is——

Dr. HARRIS [continuing]. Or you didn't.

Mr. SZABO [continuing]. No, we immediately——

Dr. HARRIS. Thank you. Now, let me keep on going.

Mr. SZABO. We immediately made——

Dr. HARRIS. Sir, sir, sir——

Mr. SZABO. We immediately—and, in fact, the documents——

Dr. HARRIS. Sir——

Mr. SZABO [continuing]. Are publicly available on the Web site.

Dr. HARRIS. Sir, I ask the questions, you answer. You answered no. That is very disturbing, because you are asking the people in the First Congressional District of Maryland to pay for this.

Mr. SZABO. My answer no was that we made the records available.

Dr. HARRIS. Sir, I am still asking the questions. That is disturbing to me, because the citizens in my district are being asked to pay—in fact, what is interesting is you or I are the only ones between this panel and all the Members here who actually don't come from California. But we are being asked to pay for it.

Now, let me just ask a couple of things. A couple of pieces of your testimony. You said this was going to turn a profit day one. Sir, that is only in the way a person who works for the Government can say "turn a profit." Because, you know, if this were a private enterprise, the capital expense would be included in whether or not you turn a profit.

This is a yes or no question. When you say it turns it a profit, does that include paying back the interest to China for the stimulus money borrowing that is going to go to that—to the segments of that rail?

Mr. SZABO. That is not an accurate question, sir.

Dr. HARRIS. Which part is inaccurate? Sir, is that—the capital expense you are talking about——

Mr. SZABO. This system——

Dr. HARRIS [continuing]. Is stimulus funding capital expense.

Mr. SZABO. This system will turn an operating profit from day one based on——

Dr. HARRIS. Ah, but sir, I will go back——

Mr. SZABO [continuing]. Based on the way that these types of systems are judged across the world, which is the above-rail cost. And, as comparable to everything in Europe and Asia, it will generate an operating profit.

Dr. HARRIS. Thank you. But your testimony before was "turn a profit." You didn't say turn an operating—I just want to make sure that the people—you see, because you are asking my citizens in my district to pay for that capital expense. So don't you think they ought to—you ought to be more specific and say it is the operating profit? Because the people in my district are going to have to pay part of the capital expense——

Mr. SZABO. You talking about the value of the capital investment?

Dr. HARRIS. Yes, sir, that is right.

Mr. SZABO. But there is value to the people of the Nation. Again, take it back to the delays——

Dr. HARRIS. Well, sir——

Mr. SZABO. Take it back to the delays at the LA Airport and the San Francisco airport.

Dr. HARRIS. Let me tell you something, sir.

Mr. SZABO. And right now it's——

Dr. HARRIS. The people in the First Congressional District in Maryland very rarely travel through the San Francisco Airport or the LA Airport.

Mr. SZABO. But it affects the economy.

Dr. HARRIS. They kind of stay near Salisbury and Baltimore, to be honest with you.

Mr. SZABO. Congressman, it affects the——

Dr. HARRIS. Now, let me keep on going.

Mr. SZABO [continuing]. Economy of our Nation. It is very important.

Dr. HARRIS. You said—to get to the chair's—you said you are not going to flinch on the support. Now, we have evidence that the California voters kind of indicating they might be flinching on the support. In fact, I have got a polling—and I know it is just a poll, it is not an election—that suggests by a two-to-one margin they actually might want to go back on that little $9 billion deal.

If they flinch—let me just confirm this—if they flinch—because this was your answer to the chairman—you said that that means that maybe we could retain some of that $3 billion that we have to borrow.

Mr. SZABO. The $3 billion are fully obligated today. There is a cooperative agreement. And based on the terms of that cooperative agreement being met, we have a legal and binding obligation to continue to move forward.

You know, the worst thing you can do is try and lead by polls. There is no denying what the need of this project is for the people of California and how it affects the economy of our Nation.

Dr. HARRIS. Well, sir, I am going to suggest——

Mr. SZABO. And capacity constraints——

Dr. HARRIS. I only have a few seconds left. I am going to suggest that, again, I only—you know, I am sent here to speak for the people of the First Congressional District in Maryland. The cost of this project ultimately could be $70 billion transferred to the people of the United States. That is $300 for every man, woman, and child in my district. I bet if I take a poll—even though you don't believe polls—the average person in my district says, "Over my dead body do I want to pay $300 in Federal taxes and borrow that money to build a railroad to nowhere," because that is the testimony.

This first segment is truly—I mean this is almost—this is stunning. Only the Federal Government could plan to build this railroad, and start it in the least populated area of the State. Furthermore, going back and saying, "You know what? We are not only going to build it where we have existing infrastructure, we are going to build it somewhere else, where apparently the local community doesn't want it." And the FRA, a branch of this Government, doesn't even want to give the information to that local jurisdiction.

Mr. SZABO. First off, sir, we made it available——

Dr. HARRIS. Sir, it is——

Mr. SZABO [continuing]. It is publicly posted on the Internet.

Dr. HARRIS. There is no question, no question standing.

Mr. DENHAM. All time has expired.

Dr. HARRIS. Thank you, Mr. Chairman.

Mr. SZABO. It is publicly available——

Mr. DENHAM. Mr. Szabo, all time has——

Mr. SZABO [continuing]. Information posted on the Internet.

Mr. DENHAM. Mr. Szabo, all time has expired. The chair now recognizes Ms. Richardson.

Ms. RICHARDSON. Ms. Brown, if that is OK?

Ms. BROWN. Yes. I would like it if the administrator could answer—maybe another 10 minutes so she can ask her questions and I can ask mine. And we won't be rude.

Mr. SZABO. I have got to meet with the Iraqi transportation minister, but I will—until about 1:05 and then I will leave.

Ms. RICHARDSON. Well——

Mr. SZABO. Karen Hedlund here——

Ms. BROWN. Yes, sir.

Mr. SZABO [continuing]. Who is very, very capable of handling——

Ms. RICHARDSON. Well, Mr. Szabo, though——

Ms. BROWN. No, I need you, though——

Ms. RICHARDSON [continuing]. With all due respect, we have sat here since 10:00 this morning——

Mr. SZABO. Yes, ma'am.

Ms. RICHARDSON [continuing]. Waiting for an opportunity to ask you these questions.

Mr. SZABO. Yes, sure.

Ms. RICHARDSON. And I think our domestic policy far exceeds anyone in Iraq.

So, we are asking for 10 minutes to ask you questions, please.

Mr. DENHAM. Ms. Richardson, proceed.

Ms. RICHARDSON. Thank you.

Mr. SZABO. Please.

Ms. RICHARDSON. Mr. Szabo, can you tell me what is the projected funding for the Northeast Corridor needed for their project?

Mr. SZABO. The estimates that came from Amtrak right now are $117 million in order to bring it to, you know, world-class, 220-miles-per-hour speeds, which we think is a worthy project.

Ms. RICHARDSON. OK. And is that project fully funded at this time?

Mr. SZABO. It is not.

Ms. RICHARDSON. OK. So I think, for the record, we just—you know, I understand the passion of everyone. But in all fairness, the Northeast Corridor, you just heard for the record, is not fully funded at this point, either, and taxpayers may be on the hook for assisting in that process.

Number three, has the cost projections of the NEC included inflation, et cetera, as the California plan before us?

Mr. SZABO. No. That is a key difference between the NEC proposal at this time and in California. The California project has already calculated in 3-percent inflation each and every year. And so these are inflated dollars, where the NEC project is in today's dollars.

Ms. RICHARDSON. OK. So would you supply to this committee—so, since everyone wants to compare apples to apples, let's compare the inflation, all of the costs that we have included in the California plan, if you could, supply to this committee the same for the Northeast Corridor, so we can compare apples to apples. OK?

Mr. SZABO. Absolutely.

Ms. RICHARDSON. Last question, sir, and so I am going to far exceed my time, and I think we can get you out, but we need——

Mr. SZABO. OK.

Ms. RICHARDSON. We need your help and you on the record for these issues.

I asked Secretary LaHood last week when he was here if for some reason there was a need or a request for a change other than starting in the Central Valley, was that possible on the Federal end. Because I was told that no changes could be made. Is——

Mr. SZABO. And, Congresswoman, it is not. And this comes back to the congressional mandates under PRIIA and ARRA. It is not a matter of where we have been granted flexibility. There is very, very clear criteria that this committee and Congress set up by law that has to guide where the grants go, what are required in order to be eligible. And the ability to shift the dollars is—it is not there. It is not there.

Ms. RICHARDSON. In ARRA was it noted funding generally for high-speed rail, or was it specifically for the Central Valley corridor?

Mr. SZABO. No, it was the requirements for high-speed rail.

And see, you know, it is important that the committee understand that FRA doesn't just get to pick wherever we want to invest the dollars. We have to sort through the applications that the State makes.

Ms. RICHARDSON. Sir, reclaiming——

Mr. SZABO. And only then can we make our decision.

Ms. RICHARDSON. Reclaiming my time, because I am trying to help you, and I hope you see that——

Mr. SZABO. OK, sure.

Ms. RICHARDSON [continuing]. Through the questions that I am asking.

My question is, it is my understanding, with what we voted through with ARRA, I voted for funding for high-speed rail. I didn't specifically say $700 million can go to the Central Valley. So I am going to come back to my question. You said that it is congressional authority that would have to allow a change of a particular line.

See, to me, if I didn't originally vote for the line, I don't see how that is congressional authority.

Mr. SZABO. Yes, it is the——

Ms. RICHARDSON. I see that as being yours.

Mr. SZABO. It is the criteria that was established relative to project readiness and, again, the process that we had to follow in order to select the recipients of the grants, the criteria that had to be met for the grant to be eligible, you know, and there are several things.

And it is important to note that a key part of it was, in fact—since this was part of recovery—unemployment was a key part of it. You know, and the fact that the unemployment rate in the Central Valley exceeds that in the other areas of California was just one of those criterias.

But it also came back to project readiness, you know, how advanced the engineering was, where they were at in the environmental process——

Ms. RICHARDSON. OK, sir. So if—and I am supporting the project as it is, but I am trying to get at some of these questions that have been out there—if it is found, for example, given the more recent investment that was done in San Francisco, for example, I believe a quarter of a——

Mr. SZABO. Yes.

Ms. RICHARDSON [continuing]. A billion dollars, if it were found that starting from the north would be appropriate, and that was urged from this Congress, would that be considered? Or if it was from the south?

Mr. SZABO. Well, here. Those projects that were ready we did, in fact, make investments under ARRA in both the north and south——

Ms. RICHARDSON. No, I am speaking specifically regarding high-speed rail. If it was determined that the initial segment would be in a different place in California——

Mr. SZABO. Yes. We don't have the ability to shift these dollars now and meet the requirements of the law. It just simply is impossible.

Ms. RICHARDSON. OK——

Mr. SZABO. What is helpful is the fact that they are going with the blended approach now, and that California High-Speed Rail is, in fact, prepared to start making some investments in the LA and San Francisco regions.

But this initial $3.5 billion that we have invested, there is no ability to shift it.

Ms. RICHARDSON. OK, sir, so I would just——

Mr. DENHAM. Mr. Szabo, thank you. The chair now recognizes Mr. Miller.

Ms. RICHARDSON. Mr. Chair, I think——

Mr. DENHAM. Time has expired.

Mr. MILLER OF CALIFORNIA. Thank you very much.

Mr. DENHAM. We are happy to come back around for a second round, but Ms. Brown still wants to get some time in, too.

Ms. RICHARDSON. Could I ask for information for the record?

Mr. DENHAM. For the record.

Ms. RICHARDSON. Thank you, sir. Mr. Szabo, if you could please submit for the record to this committee, since it has been of much discussion, whether it can, whether it cannot, and under what conditions it could.

Mr. SZABO. Very good.

Ms. RICHARDSON. Thank you, Mr. Chairman.

Mr. SZABO. Thank you, Congresswoman.

Mr. DENHAM. Thank you. Mr. Miller.

Mr. MILLER OF CALIFORNIA. Yes, thank you. I appreciate that we look at the applications we have received from the State for funding levels. But the facts of California keep getting in the way of what we are talking about today, whether we like it or not.

Mr. Amante, I think a good question for you—it is not my numbers, but the California Transportation Commission. A recent report said there is a $340 billion shortfall in highway maintenance over the next 10 years, just in that alone. And given the cost of project backlogs, how can we justify even a discussion of this type of project, based on the reality of California's bonding limits is at a questionable level. I mean for them to sell more bonds, they are going to be junk rated, because they are just far beyond the legal capacity they should have.

How do we justify the discussion, based on the acknowledged shortfall by CTC?

Mr. AMANTE. Congressman, I can't answer that any better than you can. We come from the same State. We both recognize where we are, in terms of the economy in California and, frankly, nationally. So, you are right. We have an enormous amount of deferred maintenance. And I will tell you that that is true across the country, not just in its most populous State.

There are issues in transportation about the color of money. If the Federal Government is going to invest in high-speed rail, I suggest that its investment ought to be in corridors where you have got perhaps demonstrated ridership and the ability to——

Mr. MILLER OF CALIFORNIA. OK, let me expand on that. Because Mr. Harris brought up a very good comment. And I happen to agree with where we are starting the project makes no sense.

And the—my good colleagues and friends on the other side of the aisle had said we don't support high-speed rail. And based on the record, that is not true. In 2005 I put an earmark in for Maglev, which basically started in the Anaheim Convention Center to the most under-served airport in California: Ontario. And the goal was north Orange County absolutely needed an airport, there had been much debate, and people had been thrown out of office because we didn't have that. And at least the first phase of that would have paid for itself in ridership, because it was a huge benefit in doing that.

Mr. AMANTE. And, Congressman, that was visionary, and still is. Ontario Airport has lots of room for expansion and gates, they just don't want the ground transportation and the impacts of their communities, nor do the communities along that corridor. We all know what that means, when we——

Mr. MILLER OF CALIFORNIA. But Ontario welcomes it.

Mr. AMANTE. They would welcome it if they had a rail connection that brought passengers there——

Mr. MILLER OF CALIFORNIA. And that is what they want.

Mr. AMANTE [continuing]. The plan that you had——

Mr. MILLER OF CALIFORNIA. They are totally behind that project.

But, Mr. van Ark, I guess the question I have—and it is on the funding mechanism, because I think I was the only Republican to chair the budget committee in California in the last 70 years—I am an oxymoron to begin with—but you talk about TRIP bonds. And I think that is probably the Federal qualified tax credit bonds discussed in the Senate on S. 1436. And you were relying on about $12.6 billion on a bill that is a bill, not a law, I guess, is my first concern.

And you know, both last year's and the present Federal fiscal year, we have zeroed out high-speed rail, so there is nothing there to fall back on. So—and even if you could say 1436 was a reality, if—it is for $30 billion, not $50 billion, but let's use the $50 billion level. You can only use 2 percent of that per State. So, based on 2 percent, that is $1 billion. And even the California State treasurer testified a week ago that $1 billion can be leveraged into $1.5 billion. I am trying to figure out how to leverage my dollar into 1.50. But let's say it can happen. What do you do with the other $11.9 billion you are short, based on your estimate given on that specific fact alone?

Mr. VAN ARK. [No response.]

Mr. MILLER OF CALIFORNIA. I mean it is a hypothetical funding source——

Mr. VAN ARK. Congressman, it is a calculation that has been done, that has been put into the business plan——

Mr. MILLER OF CALIFORNIA. No, I understand——

Mr. VAN ARK [continuing]. As an example.

Mr. MILLER OF CALIFORNIA. No, I understand it is a calculation. But the reality is it is not a law, it is a bill. If it were a law based on the bill, you couldn't count on more than $1 billion of it by the bill's language in and of itself.

So, if you take the language within the bill, and it gives you $1 billion, not $12.9 billion, you are—and I am not trying to argue with you, I am just saying I am having trouble making these numbers add up, based on the reality of what the bill says.

Mr. VAN ARK. Again, the example in there is an example of how the mechanism could work, rather than that being the funding——

Mr. MILLER OF CALIFORNIA. I didn't understand that. I am trying hard.

Mr. VAN ARK. The calculation in the business plan is an example of how that could work.

Mr. MILLER OF CALIFORNIA. It is an example of how it could work——

Mr. VAN ARK. An example.

Mr. MILLER OF CALIFORNIA [continuing]. If the bill were law, and if the bill did allow that, correct?

Mr. VAN ARK. Correct, yes.

Mr. MILLER OF CALIFORNIA. But it is not law, and it doesn't allow it. So why would you use something that is not law, that is not allowed under the proposed law, as an example of how you are going to fund it is my biggest concern.

There is $11.9 billion—the reason the people of California have turned against this project—and when it passed originally, I thought, "How can you continue to bond California at the level we are?" And I know from the Federal perspective on the rail side, that is none of our business. But I live in California, so it is not a hit on the Federal Government, but we are creating a disaster in California, and we have done it for the last 10 years. We have a bonding disaster.

But you are using funds in here that are not even a pipe dream, because there is no way in the world. But—can I conclude with one last question on here?

I guess it is the per-passenger mile cost that you have come up with. You have $.20 per passenger mile, based on 520 miles from LA to San Francisco. But in 2007 we had another hearing on high-speed rails, and we brought the best in: France, Germany, Spain, and Japan. And we have patterned a lot of our Maglev and other things after that whole concept. But at their best, they found out that Government had to fund it, which—it is not allowed under the California High-Speed Train Act that was authorized. To begin with, we can't do that, but we are doing it.

But at that, they are paying $.45 a mile for a very efficient program. How in the world, in these countries who really utilized high-speed rail, can we say we are going to do it for $.20, when everybody else in the world—that is like how can you cook grits for 3 minutes when everybody else in the world takes 15? How do you do it for $.20 when everybody else spends 45?

Mr. DENHAM. And, Mr. van Ark, I would ask you to hold your response and I would gladly give you my time as it comes back around to me to respond. But right now I want to make sure I am respectful to Mr. Szabo's time. And I would just remind the committee that if you have on-the-record questions that you would like to submit for Mr. Szabo, we will compile those and submit those after the hearing.

At this time the chair recognizes Ms. Brown for 5 minutes.

Ms. BROWN. Thank you, Mr. Szabo. A couple of quick questions. I think you cleared up part of my question. Does the—do you, the Federal Government, put in the application, or does the State put in the application? Because some of my colleagues seem to be confused. They think that we actually go to them, fill out the applications, do the studies, and then we make the decision. Is this a partnership, or what?

Mr. SZABO. No. You are correct, Chairwoman. It is the States that apply, and then we review those applications. And then, based on the criteria that is established both in law and in our guidance, we make decisions on what should be——

Ms. BROWN. OK. There was a question. San Diego to Los Angeles. Did the State apply or—they did not?

Mr. SZABO. No, there was never an application for that. You know, and obviously it is something that may have some merit. And if the State would, in fact, apply for it, it would be something that, of course, we could consider.

Ms. BROWN. There was also plenty of discussion—you know, as I said often we are number one with freight in the world. I don't care where you go, whether you go into Russia, China. Everybody asks us about our freight rail. But we are the caboose when it comes to passenger rail, and they don't even use cabooses any more.

So, can you explain to us about if the project that the Members want, freight rail, they are perfectly—they can—I mean do they need anything from us? They have the money, they have the employees. They are doing well. I mean I am—you know, the rail is rolling in this country.

Mr. SZABO. Well, I think two things. I think, first off, it is important to note that under our TIGER grant program, freight rail has done exceptionally well. This Administration has done more to support and advance freight rail as any Administration in recent history.

But to your specific question on whether these dollars could be used for a freight purpose, no. Again, under the Federal law, the statute, and the criteria, the grant criteria——

Ms. BROWN. It says high-speed and intercity, is that correct?

Mr. SZABO. Yes, it is. That is right.

Ms. BROWN. OK, right. But can the freights do these projects that we have been talking about, if they want to, if they see it is a financial——

Mr. SZABO. Yes. Again, if you take a look at our vision, you know, the program that has been put forward, shared with this committee, it is three-tiered, you know, that you have the core express high-speed rail, which is those speeds up to 220 miles an hour, like they are doing in California, like the Northeast Corridor is doing. And then there is that regional express service, which is similar to what the Acela is today, that runs from speeds, you know, from 90 to 125 miles per hour. That is what is going forward in the Midwest. And then you have your feeder services, which——

Ms. BROWN. Right. But when I travel around the world, in the cities it doesn't go 200-some miles or 300 miles. In no city. It slows down as it goes into the cities, and it is intermodal. Can you just give us a quick——

Mr. SZABO. Yes. I think it is really important to note that the blended approach the California High-Speed Rail is talking about is very, very similar to what the TGV, you know, utilizes in France, to where out in the countryside, you know, you can go open throttle. They are doing 186 miles an hour there. But they choose to use—for a lot of reasons, they choose to use shared right-of-way in the urban corridors. It gets them to the center of downtown, which is important. It saves tremendous cost. And it saves an awful lot of these environmental concerns that communities have.

Ms. BROWN. And we can use existing tracks, and all of that.

But there has been some discussion about Maglev. And, you know, I am looking in the audience at some of my people who have supported Maglev in the past. One of the problems with Maglev is—can you just tell us about the cost in comparison with some of the other systems?

Mr. SZABO. Well, I would say this. Our program is actually technologically neutral.

Ms. BROWN. Right.

Mr. SZABO. And Maglev certainly is eligible. But one of the challenges for those types of projects is, in fact, the significant upfront capital cost.

Ms. BROWN. All right. Is there anything else you want to say in my 48 seconds?

Mr. SZABO. Just that, relative to the Freedom of Information request, we did immediately make virtually all those documents publicly available. They are available on the Web site today. It is my understanding that there were one or two pieces of paper that we need some clearance from both the Army Corps of Engineers and the EPA, you know, so we have to work through the sister agencies to get those, you know, from them and make them available and go through their clearance process.

But 99 percent of what was requested back in 2010 or the date that was quoted was immediately made available, is public record available on the Internet today.

Ms. BROWN. I want to thank you for your service. And I have to tell you, working with this Administration and with the Secretary is a bright spot. Thank you.

Mr. SZABO. Thank you so much, Ranking Member.

Mr. DENHAM. Mr. Szabo, I would like to thank you for your indulgence this morning. If you will have Ms. Hedlund continue to stay and——

Mr. SZABO. And she is highly capable of handling just as tough of questions as I am.

Mr. DENHAM. Thank you.

Mr. SZABO. Thank you.

Mr. DENHAM. And again, for the record, we will be submitting you a list of questions. One of those questions, as well, we will be resubmitting—Mr. Upton had a question that has still not been—or the Heritage have not received an answer from a year ago. This—we will be submitting that, as well. Thank you.

At this time I would like to utilize some of my time to allow Mr. van Ark the opportunity to respond to Mr. Miller. And I thank you for your indulge, as well.

Mr. VAN ARK. Mr. Chairman, Members, the costs that we have got in our business plan have been crossed-checked and are based on international costs. All the infrastructure costs, including the operationals, are—operations and maintenance costs, including the ticket pricing, obviously based on the different economic levels of the different countries, but cross-referencing and cross-checking to all the systems in the world has been done, including the Acela system on the Northeast Corridor that the administrator has already referred to.

Mr. DENHAM. Thank you. And I did want to clarify one other issue. Mr. Gatzka, the issue came up about the first segment of the ICS about San Joaquin's service, and how that would affect, actually, Kings County. I understand you have two stations within Kings County, Hanford and Corcoran. If the ICS was connected back into Amtrak, if the—you know, going back on the assumption that only one phase of this gets done, what does that do to the two stations that would be within your county?

Mr. GATZKA. Well, the high-speed rail alignment if Amtrak was switched over and shifted outside of those two stations, which is the city of Corcoran and the city of Hanford, those stations basically go away. One of our local groups, actually, is the Hanford Business Association, which now has realized that that may potentially be a major impact to them. They are saying that is about an $11 million annual hit to their economy by losing Amtrak service coming into their downtown Hanford area. That is—those are probably the two key ones.

In the city of Corcoran, we also have one of the State's major prisons there. Amtrak service going to that smaller city and smaller community is a means of affordable transportation to get families, residents, and other people back and forth, and also to serve that prison facility, as well.

Mr. DENHAM. Thank you. And, Mr. Swearengin, I know you have another comment. But with that I wanted to ask you, the initial construction segment, if it is all built, what are the benefits that that provides to the city of Fresno? And is it worth the $6 billion that is currently projected?

Mayor SWEARENGIN. You bet. And I appreciate the opportunity to respond and then make a final comment.

Just want to relay a story of another business person that just a few weeks ago—again, this is a property owner whose property is impacted by the alignment, he is a major food producer in the Fresno area. And I asked him, "Are you concerned what's happening with your property? What's going on?"

And he said, "I cannot believe that we will potentially shoot ourselves in the foot and try to stop this train. I am sending jobs to LA right now, because I can't get people to and from Fresno in an affordable, fast manner. We have got to have this train." He says, "I am the one who is driving to LA every week and San Francisco every week." And this is a very conservative business operator in Fresno. If I said his name, you would know him well.

So, I think that is just an example of—you know, obviously, the construction jobs are a terrific impact for Fresno and the entire San Joaquin Valley. But, frankly, I look at this as the long-term connectivity of our subregion in Fresno and the San Joaquin Valley to the mega-regions of California. The economy operates when people and ideas and goods connect. And right now, we are significantly hampered in our ability to connect to the other mega-regions. It means our businesses, our graphic designers, our lawyers, our creative people are not eligible, and they are not seen as viable business partners from the LA area or the San Francisco area, because there is just not the proximity and the ability to connect. So I think there is tremendous benefit.

And I want to just say, in the defense of the Valley, because I think it is fair to say, we would not be here right now if the dollars had gone somewhere else in California. All of this started, based on what we have heard from the Members today and some of the panelists, all of this started when the dollars went to the Central Valley. Why the Valley? Why the Valley?

So, let me just put a fine point on this. I believe, as I think you have very eloquently put, as did Mr. McCarthy, we have got to invest where we get the fastest path to private investment. We could put $31 billion in southern California and, yes, there is ridership and there is a vast need for mobility. I understand that. But you would not attract private investment with $31 billion going into the congested LA Basin. The only point at which you attract private investment is when you can connect two different regions.

So, while it is difficult for some in other parts of the State to believe that there is value in putting dollars into the backbone, it is the fastest path to private investment. I support you continuing to focus on that point.

Really, the focus here is how do we get to $31 billion. We have got $12 billion right now. So the gap is much smaller, and then we trigger private investment.

Mr. DENHAM. Thank you, Mayor. And I would agree with your points. Again, my concern continues to be if we have gone from $33 billion to $100 billion, where does that money come from. I want to make sure that we don't just start building something without having the Federal obligation that is there, as well.

With that I recognize Ms. Brown for 5 minutes.

Ms. BROWN. Thank you. I guess you answered part of my question, because—and I want to ask this for also Mr. van Ark. How did we decide not to start in southern California or northern California, where the ridership is there? In all of the hearings I have heard in the past, if you have the ridership, then if the people in the area can see the benefits, then they will—you know, it would encourage people that want to use the system. They need to see some success.

And I was in California when we announced that we almost doubled the amount. And it was really upsetting to a lot of people. And basically, they talked about the study. But I do know that, you know, it is how you frame the question.

So, Mr. van Ark, can you first answer? Then I—yes.

Mr. VAN ARK. Member Brown, yes, I can. And that is I mentioned in my introduction I built these systems around the world. This is my background.

Ms. BROWN. What systems were you involved in building?

Mr. VAN ARK. For instance, the Hamburg to Frankfurt high-speed rail system, the Holland high-speed rail, the high-speed rail system—so I have been involved in high-speed rail and rail systems, including public-private partnerships around the world.

The thing about high-speed rail is it is about the interconnectivity of people, of metropolitan areas, over long distances. I know that people live in those extremities, they live at the ends. But the high-speed rail system has lesser value in those ends. It is expensive to build in the bookends. But that is not where you really operate a high-speed rail system. A high-speed rail system is that part, that backbone, that is going to connect those cities with each other.

It is important that we, as Californians, understand that we want to connect northern California—the 10 million-plus people there—with southern California, through the Central Valley, with their 4 million-plus growing population. That is what high-speed rail is about. It is—so that is why it is so important to build that backbone in the Central Valley, because that is really how—you can—I can give you many references in the world, whether it be Paris—they built the central portion first—in Japan, they built the central portions first. The portions in the cities, which we call this blended system, you use the existing infrastructure, and you share the existing infrastructure. But without the backbone you will never get a high-speed rail system going.

So, if we want high-speed rail, which I have heard often today, if we want high-speed rail in California, we are going to have to build the backbone, because that is what high-speed rail is about.

Ms. BROWN. Yes, sir. You know, we are complaining about $8 billion, all of which did not go into high-speed rail, but the Chinese are putting $350 billion. They understand the importance of moving their people, goods, and services. And the fact is you can live there and work anywhere. And you know, downtown Brussels to downtown Paris, 200 miles, 1 hour and 15 minutes. I mean that is the future of this country. It is how we get through it.

And Ms. Swearengin, can you tell us how many jobs do you think the project will create?

Mayor SWEARENGIN. Well, the estimate for the construction phase is 20,000 jobs a year for 5 years. And, as I mentioned, I believe the benefit is well beyond just the construction. I think the value is that the permanent connectivity between a major region of this country—by California's standards, you know, the Valley is still very small, but when you compare the Valley to virtually every other part of the country, it is a big region—but connecting us to the LA Basin and to the San Francisco Bay area, that is where the real value and benefits comes.

And, you know, this is a 100-year asset. This changes the way our local economy and our local dynamics operate forevermore, in my opinion. So, we are certainly looking forward to the immediate injection of jobs from the design professionals, the construction jobs. But I am looking beyond that, and I am seeing that our manufacturers, our producers, our creative people, now we are eligible to compete for work in other parts of the State, because they can finally get access to us, and we can get access to them.

Ms. BROWN. What about the problem that we are experiencing, as far as the farmers are concerned? I mean do they not use freight rail? Because——

Mayor SWEARENGIN. No, they do. In fact, we will—I personally will be meeting in just a couple hours with members of the FRA, and talking to them about another rail project, upgrading our short-haul rail in the Valley, which would have a tremendous impact for the growers in our area.

So, you know, I think this is an all-of-the-above kind of analysis that has to be done. There are freight rail challenges in the Valley. The reality is our region has significantly been left behind, in terms of infrastructure investment.

Mr. DENHAM. Thank you. Mr. Harris?

Dr. HARRIS. Thank you very, very much. And I am just going to—I am sorry, I had to—from the FRA, I am sorry—oh, yes, and Ms.—OK, they switched your name tag, OK.

I will give the FRA a little help on this, because I am reading the initial FOIA request. And maybe it wasn't specific enough. I mean what I am going to ask—and I will ask the committee to submit it, you know, as a question that you can answer later, because you may not have the answer—you won't have the answer—is the documents that would describe whether or not this decision was a decision made by the FRA to use that route, the—and I am going to use the exact term here, the one that goes north, the WCBO, or the—now called the West Chowchilla Design Option, or the hybrid route, because there is some confusion about whether the FRA insisted on that routing. And that is—I think that goes specifically to the point of the FOIA requests. So that is why my question will be. It should be a very simple yes or no answer. I mean, and if it is an answer that kind of evades that, we will go in a little further, then.

Now, let me just—and again, look. My concern is—because, again, I am still the only person here on this side of that table who is from outside of California. And the thing is I am reading here, "America is going to be asked"——

Mr. DENHAM. Mr. Harris, just for the record, Ms. Brown is from Florida.

Dr. HARRIS. I am sorry, Ms. Brown. Sorry——

Ms. BROWN. Not only am I from Florida, I am from the disadvantaged Florida. Eighteen other States received 3 billion of our dollars.

Dr. HARRIS. Ma'am, this time of year we think Florida has advantages.

[Laughter.]

Ms. BROWN. I am here supporting high-speed rail in the country.

Dr. HARRIS. OK, thank you.

Ms. BROWN. But I am not a participant.

Dr. HARRIS. Thank you very much. I am concerned because the cost is going to be over $50 billion that is going to be asked of the—and that is by the new draft report, is $50 billion. So we already have a cost escalation. We are already asking our citizens to pay well over—if that is all, the amount is over $150 for every man, woman, and child in the United States.

But I have got to ask a couple things. First of all, Mayor Swearengin, you know, we had some skepticism. And I wasn't here when the stimulus bill was passed, but I was kind of out in the real world. And there was some skepticism that this, you know, $787 billion really was just kind of this little pot of money that was going to be sprinkled around before the 2010 election, perhaps maybe to influence the outcome.

And because of an article in, I guess the Sacramento Bee, it has been brought to my attention there is some speculation that this—the $700 million—was sprinkled around to effect an election.

Is it true that the timing of that announcement was just before the 2010 election of that award?

Mayor SWEARENGIN. That is true.

Dr. HARRIS. OK.

Mayor SWEARENGIN. And if I could——

Dr. HARRIS. People can draw their own conclusions.

Mayor SWEARENGIN. Precisely. And——

Dr. HARRIS. They can draw their own conclusions from that. But that is exactly why people in my district are so worried about projects like this. Because that is more than coincidental. You know, that has the Solyndra ring about it. It is a use of hundreds of millions of dollars of taxpayer money for what appears to be raw politics.

Now, the two mayors here. You run governments. Do you really believe that this is going to make a profit? Do you really—because I tell you, I just rode the train to New York. It is true. The Acela ticket is $350, and it gets you there 15 minutes faster, $350 round trip from Baltimore—I am sorry, from Washington to New York, it is about the same from Baltimore. The regular train is $162.

We also in Maryland claim that, you know, all we have—if we just supply the capital, don't worry, all the mass transit is going to be paid out of the fare box. So we actually put a 50 percent rule in law that was lowered to 40 percent, to 35 percent, and now $.30 on every dollar is paid for out of the fare box because, I have got to tell you, my impression, that is just the way Governments work with public transportation. And this is public transportation by any other name, because the public has funded the capital.

Do you really believe it is—in your heart of hearts —I am not talking about the other benefits—this is going to really turn a profit, based on ticket sales?

Mayor SWEARENGIN. Yes, sir, I do, based on the operating model of every other high-speed rail system in the world.

And again, you—high-speed rail is inter-regional connectivity, very different from commuter rail.

Dr. HARRIS. So, Mayor, you believe that the ticket price is really going to be—that we are going to have that many riders and that is going to be the ticket price, and we are going to turn a profit, even though the Acela train——

Mayor SWEARENGIN. Right, which is a different——

Dr. HARRIS [continuing]. In an established corridor, with lower priced capital expenses, lower priced equipment expenses, charges $350 round trip and loses money every day, as the Secretary testified, with full ridership?

Mayor SWEARENGIN. I couldn't pay $350 to ride it. So——

Dr. HARRIS. You are darn right.

Mayor SWEARENGIN. So the—I think the difference——

Dr. HARRIS. And a lot of people won't be able to——

Mayor SWEARENGIN. It is a fundamentally different service and a different operating model. And based on the data, yes sir, I do believe that.

Dr. HARRIS. OK, thank you. My time has expired. I thank you, Mr. Chairman, for your indulgence.

Mr. DENHAM. Ms. Brown for 5 minutes.

Ms. BROWN. Yes. You know, we keep talking about the Northeast Corridor. But the key problem is that we have tunnels that are 100 years old. We have bridges that need to be fixed. And once we do that, once we improve the infrastructure, then it will go.

But I can tell you that the mayor of Jacksonville, we had a meeting in New York. He took the train and I took the plane, and he beat me there to the meeting, because there are many things involved in catching that plane, when you look at from LA to San Francisco, how long you have to—the congestion, the—you know, it is wasted time. So it is not apples to apples, it is apples to bananas, as the Secretary said.

Would you further expand on—Mr. van Ark—how you all made the decision to go to the mid-Valley, as opposed to the areas that everybody feel you would have the ridership right away?

Mr. VAN ARK. So when you build a high-speed rail system, you have to build the system where you are going to be interconnecting the cities. And that is exactly what the Central Valley is.

Central Valley also will offer the United States the first place in the United States where we will be able to do an integrated high-speed rail 250 miles an hour—you have to overspeed—testing of the integrated system. This cannot be done anywhere else in the United States.

So, unless you build that system first, and get that system up and running while you are completing the initial operating section, you will never get to a high-speed rail system in the United States.

I think we have learned—and I was involved in the Acela system—I think we have learned from the Acela system. You must remember the Acela system has an average speed of around about 70 miles an hour. Our trains have an average speed of about 170 miles an hour. It is very different. The Acela service takes 7½ hours to travel from Boston to DC. And I have used it. I have lived my last 5 years in New York. It takes 7½ hours.

Ms. BROWN. And there are many factors why it takes so long. I mean there is a lot we need to do to upgrade it. But it doesn't take that long from New York to Washington, DC. But that Boston area is what we need to invest in.

Mr. VAN ARK. It is——

Ms. BROWN. I mean we understand we got to invest in the system.

Mr. VAN ARK. Exactly. And investing in a system that is operating is very much more complicated——

Ms. BROWN. It is more complicated. The cities are already there——

Mr. VAN ARK [continuing]. Than any system——

Ms. BROWN. I mean I understand all of the factors. You need to educate everybody else.

But your system, tell me how it is going to make a difference.

Mr. VAN ARK. Our system is based on a competitive market advantage. That is why it is so important that we have to be able to get from northern California to southern California in that 3-hour timeframe—2 hours, 40 minutes. Because, as you correctly stated, it is the time for you to get to an airport to check in to an airport, to check—all the flights that—about a quarter of the flights in California between northern and southern California are delayed, apart from the problem that we cannot build more runways and gates.

But it is the convenient time to transport people from one place to another. That is why it is so important that we cannot drop the speed. We have to stay at this high speed. We cannot compromise the system. Because, otherwise, we will not have a competitive system which will cost $82 a ticket, not $300 a ticket—$82 one direction—and it can make a profit, and the ridership will be a completely different level to the ridership in the Northeast Corridor, which is throttled because the system is compromised.

And I don't want to blame the operator, it is not their problem——

Ms. BROWN. Right.

Mr. VAN ARK. It is just that the infrastructure is——

Ms. BROWN. Absolutely. Let me just ask you one quick question. Is there any system in the world that pays for itself completely?

Mr. VAN ARK. Madam, all the high-speed rail systems in the world, all of them, make an operating profit. Operating profit. All of them.

Ms. BROWN. But the infrastructure.

Mr. VAN ARK. So the operating profit covers all operating costs, and it, in general terms, covers also the rolling stock amortization and the depots. So "everything above rail" they refer to sometimes, whereas there are also other PPPs that add further private participation into the infrastructure. The two lines in the world where they have done the calculation, that is the Paris Lyon and the Tokyo Osaka lines, that they have done the calculations that, incorporating the infrastructure, the whole system has paid for itself.

But they do take environmental advantages as benefits to the calculation. Generally, State—generally, the State owns the infrastructure, and the operations are done by private sector.

Mr. DENHAM. Thank you, Mr. van Ark. One area that we have failed to address significantly at all today, the biggest issue for the Central Valley, our agriculture industry, number one industry in California, the largest ag industry in the world. I would like to get a few questions in on that.

Mr. Upton, your testimony raised some concerns with a proposed diagonal alignment through agriculture land. Why is diagonal alignment problematic?

Mr. UPTON. Well, one of the reasons is the impacts that it has on ag.

For instance, so we have to use pesticides and herbicides very carefully, and—because they could affect other crops, they can affect people. HSR's own document says the indirect biological impact when going through an ag area is a quarter mile on each side of the track. When I showed that to the ag commissioner and said, "OK, am I going to be able to spray my almonds or my corn," or whatever, he just laughed.

He said, "There is no way that I am going to allow spraying with this kind of document in front of me. It would be a lawyer's paradise if anything happened." So we have to look at that, and—when you are trying to farm.

The other thing is it puts a cloud on your land, as far as your financing. The farm credit people said as long as these proposed routes show up on your land, they are not going to loan you the amount of money that they would, because they feel the land has been considerably devalued from what it was before.

So, if you take a half-a-mile as a route, that is about 300 acres a mile. That is a huge hit on a farmer's land. Also, when you are going through the land at an angle, and there is only a crossing maybe every 2 miles or 3 miles, as you know we have huge equipment that it takes to go, and you would have to go all the way around, clogging up the roads, increasing the number of hours that you are using those engines, causing air pollution.

And lastly I will point out on dairies, dairies require a certain amount of acres to get rid of the effluent. That is how they are—get a permit to do that. When these trains go through there, some of these dairies are rendered inoperable. So you lose the whole operation.

So there is a devastating impact on our culture, and it has not been adequately addressed.

Mr. DENHAM. And the location for the Central Valley segment of it, the location for the Merced to Fresno's westward turn and the alignment to get from the Central Valley to San Jose has not been determined, because it is dependant on additional analysis of the San Jose to Merced section.

Is there a consensus among the Preserve Our Heritage members about what would constitute the least disruptive route for that westward turn?

Mr. UPTON. Yes, there is. You make a good point. The Merced to Fresno route, as you know, was just approved by the Authority. But some of us in the 25-mile zone there are in the Twilight Zone, because it is not considered. It will be considered during the Merced to San Jose group.

And what we have been doing—and we have had some cooperative meetings with the Authority, and I credit Mr. van Ark and his staff for that, that somewhere along the 152 and 99 would be the preferred route, because that is an existing corridor, if we could do that.

Our concern is the process. If, in fact, the FRA or EPA or the Army Corps is demanding that a particular route has to be done, then it really doesn't matter what I say, or what Preserve Our Heritage says, and so we need to know who is calling the shots, whether this input process is a sham, or if they are really listening to us.

Mr. DENHAM. And has your organization provided documentation to the Authority on the negative impact, negative economic impacts of the project to the agriculture community in Madeira County?

Mr. UPTON. We have had more meetings than I care to remember, and submitted more documents, appeared at high-speed rail meetings. I am sure they are tired of seeing us, as we are in going there.

Mr. DENHAM. Are you getting a response from the agency?

Mr. UPTON. In——

Mr. DENHAM. Maybe the same thing we had with FRA earlier, apparently you submitted questions to them over a year ago, but it seems like you are, on many levels of Government, getting ignored.

Mr. UPTON. FRA, no response whatsoever. But with the local people with the high-speed rail, yes. They have been meeting with us. And with Mr. van Ark, yes, he has been meeting with us.

Again, our concern is whether this will amount to anything. Because we are not convinced on who is calling the shots on this thing.

Mr. DENHAM. Thank you. And I yield back, Ms. Brown.

Ms. BROWN. Thank you. Mr. van Ark, some witnesses and Members, my colleagues, have raised concerns regarding communications and working with the Authority. What are you all doing to address those concerns? And I guess it is the same concern that the gentleman just raised.

Mr. VAN ARK. Congresswoman, we are doing more every day, but it is a mammoth task. It is a big State. It is an 800-mile section. And in many areas of the State, there is more than one alignment, because—the alternatives to meet the CEQA and NEPA process.

So, of course, we have hundreds and hundreds—thousands and thousands—of stakeholders. We have an organization in place. We are just at the stage investigating how we can further improve the organization.

I do believe certain improvements have happened. I think Mr. Upton just mentioned, you know, we have been having meetings with them. But not just there. We had a board meeting on Tuesday of this week in Merced. And I must say there were many, many organizations that came back and thanked us for the outreach and communications that we had been doing with them.

So, there is still a way to go, I am not disagreeing with that. It is a big task when you interface with that many people in a big State like we have.

Ms. BROWN. There has been a lot of discussion about the funding source. How are you planning to get investors or investment in the bonds, or the additional costs? Is this a phased building? Can you explain that to me?

Mr. VAN ARK. So I think what we—when you look at the business plan, you must consider that we should be targeting, and are targeting, at the first operable segment. It is the way that they built the systems in France or in Spain.

For instance, the Madrid to Seville line was the first segment. It is their IOS. The line from Paris to Lyon was their IOS. So we need to concentrate on the first segment for funding——

Ms. BROWN. Yes, I drove that segment from Paris to Lyon.

Mr. VAN ARK. Yes. I traveled it too, and I traveled it with Chairman Mica as well. And I know he was very proud, and used to say, “This is what we need in the United States.” Although that was in my previous function in the private sector.

Ms. BROWN. So we are going to be able, after we get the first segment, to get those private investors?

Mr. VAN ARK. You see, when you cannot prove to a private investor, firstly, the stability of a project——

Ms. BROWN. The—that is right.

Mr. VAN ARK. The second thing is that there is going to be a revenue stream that is going to come up. The private investors will not be willing to come. They talk to us, they have given us in writing they will participate. That happens.

But do not forget, you know, they are still hesitant because we are hesitant. And we have to get over that. But private investors will participate in this project, as I have had private investors investing in projects around the world.

Ms. BROWN. Would anyone else like to respond to that? Yes, sir?

Mr. AMANTE. Congresswoman, I want to address this whole issue of where we spend the dollars and how we attract the private partnership.

It is clear; all of us know that—the chairman asked a question of the two mayors. He said, “All of you govern.” We know we have to make tough decisions, we know there are scarce Federal and State resources, and that there is an increasing demand in infrastructure in this country. But we are the most populous State. I happen to live in the most populous region of that most populous State. And as we go, goes the economy of this Nation. If we do not invest in the movement of goods and people in some fashion, we will choke in congestion. We will no longer be competitive.

In my view—and I tell young people—there are only three legitimate purposes for Government: to provide for the public defense—at the national level the army, at the local level police, and everywhere in between whatever is required of that level of Government; the second is to invest in things that people can’t do for themselves, roads, bridges, aqueducts, railroads, the kinds of things they can’t build; and the third is to jealously guard their liberties. Everything else we do is whipped cream and sprinkles. That is the cake. And what we need to do is wisely invest, guard the liberties of our people, and spend their money wisely. That is why we have criticisms of the business plan.

But we are not prepared to throw the baby out with the bath water. In my region, we would like to fill the bath tub from both ends, but we want to have the ability to move people and goods, and to bring economic integrity back to this country. And that is why the mayors fight for jobs, because they matter to the people we see in the grocery stores. Thank you, ma’am.

Ms. BROWN. Yes, ma’am.

Mayor SWEARENGIN. And I would just like to go back to the question from Mr. Harris, and just tell you that the dollars came out a few days before the election. But what I didn’t have a chance to tell you is that 2 years leading up to that, coalitions of business leaders and local government leaders worked so hard to make the case to the High-Speed Rail Authority and to the Federal Government to draw attention to our region that it is the lowest cost place to build, and it is the fastest-paced path to private investment.

We were getting bombarded by the interests of northern and southern California indicating we wouldn’t see any of those dollars. Yet we fought hard, with local business in the lead, and ultimately made the case. So there is merit behind that decision. The political speculation I will leave to the editorial newspaper writers.

Mr. DENHAM. Thank you. Mr. Harris?

Dr. HARRIS. Thank you very much. And you are right, we will leave that to speculation. You make exactly my point. Here a process goes along 2 years, and just coincidentally, a few days before an election hundreds of millions of dollars.

And I don't mind, you know, if California wants to build it. God bless them. I know you all are sixth largest economy in the world—what is it, I forget the statistic. But you know, California says, "Oh, if we were a country, we would"—well, that is exactly the issue here. And, Mr. van Ark, that is exactly the issue.

Because, you know, California's economy probably is bigger than France's, isn't it? It probably is bigger than all those countries you named, with the perhaps exception of Japan, all the countries you named. But California is coming to the rest of the United States and asking to fund a project that starts as a train to nowhere—and Mr. van Ark, I am going to ask you, because the business plan, to be successful, does really depend on an ultimate build-out, doesn't it?

It does. The business plan depends on an ultimate build-out to be ultimately profitable, as a system. Is that right, or can we stop 3 years into it and everything we built up to then is profitable?

Mr. VAN ARK. The business plan is built up in phases, and each one of the phases has got an added value and a benefit to the State and to the Nation.

Dr. HARRIS. I am not sure that answered my question. Is it profitable if it is not built out?

Mr. VAN ARK. The initial operating section would be profitable.

Dr. HARRIS. Oh, OK. Once you get past the initial operating section, is it profitable—now there is a reason my—let me just skip to the—the total cost is now projected to be 90-something. Let me see what it—$98.5 billion.

I am a doctor, I am not a mathematician. But if you take the $9 billion in California bonds, and then you add the $52 billion in Federal spending, that comes to $61 billion; $98 billion from $61 billion is $37 billion. California just announced that they were cutting their budget, what, $900 million because of a shortfall. I don't project California to have a whole lot of money flowing around for the next few years. Leaves a $31 billion gap. Call me skeptical—maybe that is why the private partnerships that you are looking for are a little skeptical—because the build-out is $98.5 billion, and on a good day you have accounted for $61 billion. And you are hoping that some private people are going to come out of the woodwork.

And I have got to ask you, because you said—because I think all the testimony is the operating profit, there is an operating profit, but there is $30 billion of unaccounted-for capital. Is that right? Are we assuming that that capital is going to come at no cost to this build-out, ultimately? That it is either funded by taxpayers of the United States or taxpayers with California, with no realistic reason to believe that they get a return on that?

Mr. VAN ARK. If I could just refer back to the initial operating section, we are talking about just over $30 billion. So, the $30 billion would be the——

Dr. HARRIS. I am——

Mr. VAN ARK [continuing]. Period where you would already attract the private investment.

Dr. HARRIS. You hope you will attract the private investment.

Mr. VAN ARK. You——

Dr. HARRIS. Because there is no private investor out there who said they will do this.

Mr. VAN ARK. There are private investors that have indicated their willingness to participate. But obviously, there is no project well enough developed to be able to attract and sign a contract on that basis.

Dr. HARRIS. So they are willing to participate. Do you believe their understanding—will they be willing to provide $30 billion toward the ultimate build-out of capital expense?

Mr. VAN ARK. The business plan indicates that the amount of private investment would be—depending on how far we go, the first phase would be $11 billion, and then we would go up to about—just over $20 billion, private——

Dr. HARRIS. So $20 billion of private investment.

Mr. VAN ARK. That——

Dr. HARRIS. What happens if that private investment doesn't materialize? What happens to my—my citizens in the First Congressional District, what happens to their investment 2,400 miles away?

And look, believe me, I feel for your congestion at the airports in Los Angeles and San Francisco. Flew through there a few months ago. It is absolutely congested. But what happens to my citizens' investment in that project if you don't get that private investment?

Mr. VAN ARK. As I mentioned, the project is built up in phases. And at every phase you can actually not continue beyond that phase. But when you get to the IOS you will have an operating section. So that means you will be able to operate the system, but you may not necessarily then decide to expand the system beyond that.

Personally, coming from where I am, I believe it will be profitable. The market and the world says so. But——

Dr. HARRIS. But——

Mr. VAN ARK [continuing]. You can stop. That is why we have the phases, where you can actually only build one IOS and stop there.

Dr. HARRIS. But——

Mr. VAN ARK. And you are not expending——

Dr. HARRIS. But you do understand the situation is different from European countries, where this exists in one section of the country that is far away from other sections.

One could argue it is much more easy to derive a benefit of every citizen in France from the French high-speed rail, because everybody lives pretty close to that rail, by U.S. standards, pretty close.

Again, I just have to go justify it to the people in my district, because we are coming to ask them to participate in a $52 billion buy-in. Thank you, Mr. Chairman.

Mr. DENHAM. Mr. van Ark, I will allow a very brief response, if you have one.

Mr. VAN ARK. I think that response becomes more political than my position, Mr. Chairman. I think you understand that.

Mr. DENHAM. At this time I will remind Members that votes have been called. We have less than 10 minutes—actually, we have 9 minutes left—on the first vote.

Before I close down the committee hearing, I would like to allow Ms. Alexis, who sat very patiently, 1 minute before we close.

Ms. ALEXIS. Yes, I mean I think we do need to really look at the details of this plan. And we keep talking about initial operating segment, and that should be understood, that that is one of the—there is only two proposals. One is from San Jose to Bakersfield. There is no other system in the world which would have an initial starter line. You cannot say that Lyon to Paris is Bakersfield to San Jose, where there are exactly zero—zero—flights.

If you cannot attract those business travelers, the people who like to pay for air flights, you are not going to have a successful high-speed rail system. And so, to compare this $30 billion investment for Bakersfield to San Jose to the systems around the world is just very faulty logic. And we really need to step back and rethink this.

I mean there are things that make sense. There is a price tag that would make sense for this project. There is a routing that would make sense for this project. But we are really far away from there. And we are getting ready to build. We are nowhere close to that stage. Thank you.

Mr. DENHAM. And Ms. Brown?

Ms. BROWN. I just want to say that the argument goes both ways for Mr. Harris. The people of California have been asked to foot the bill for Amtrak service to upgrade Maryland, including tunnels and the Chesapeake Bay. And so, I mean, we could argue this back and forth. This is the United States of America. This committee is the infrastructure and transportation committee. This committee is the committee that actually put people to work. Jobs. We keep the goods separated from the people, and we make it safe.

And so, what we need to do is to work with the people in California and the rest of the United States to move us forward. As I said all along, Florida—I mean you got our money, you got $3 billion, 18 States got it. And so, I mean, 60,000 jobs. So the point is I want to make sure that we utilize that, and that we put people to work with our money. Because it is the United States. So, you know—of America.

And so, therefore, I am not—we are not competing with Georgia and Alabama. And it is very important that we do what we can to help you, so you can be competitive. Then we all do well. Thank you very much.

Mr. DENHAM. Well, that sounds like a perfect note to end on. We would like to thank the Floridians for their help in this project.

[Laughter.]

Mr. DENHAM. I would like to thank each of the witnesses here today that have been very gracious with their time.

The hearing record will remain open for 2 weeks to receive materials for the record submitted by unanimous consent, and to submit questions for the record to the witnesses.

The hearing of the House Transportation and Infrastructure Committee is now adjourned.

[Whereupon, at 1:54 p.m., the committee was adjourned.]

Congressman Joe Baca
House Committee on Transportation and Infrastructure Hearing – *California's High-Speed Rail Plan: Skyrocketing Costs & Project Concerns*
December 15, 2011
Statement for the Record

- I want to begin by thanking Chairman Mica and Ranking Member Rahall for calling this hearing.

- I also want to thank all the witnesses for taking the time and offering their insight on this issue that is of extreme importance to my home state of California.

- According to the most recent Census projections, the population in the State of California will reach almost 60 million by 2050, nearly doubling the state's current population.

- That means that by 2050, close to 60 million people will be using California roads on a daily basis which today, are already the busiest in the nation.

- In order to adequately handle this growing population and meet the increasing demand on California's existing infrastructure, alternative methods of transportation need to be explored and pursued.

- That is why I am so pleased that this committee is here today, discussing the need for a high speed rail system to bolster our state's infrastructure, reduce the stress and demand on our existing roads, and create a source of new jobs and revenue in a state that is dealing with budget shortfalls and double-digit unemployment.

- My home district of San Bernardino County serves as the main hub for all cargo coming through the LA ports. This creates a large amount of stress on our existing roads and infrastructure as cargo trains and trucks are constantly moving through the Inland Empire.

- This project will drastically improve this situation, alleviating the current stress on our roads and railroads that is caused by commuters and cargo vehicles competing for the same space.

- Moreover, a project like this one will be a tremendous source of jobs for a region suffering from an unemployment rate of 13%.

- The proposed plan would link the state's major population areas – Sacramento, San Francisco, the Central Valley, Los Angeles, the Inland Empire, Orange County, and San Diego.

- One of the projections has ridership levels reaching above 40 million after completion of Phase 1, with revenues producing $2.5 billion.

- All projections have the revenues exceeding cost – a figure that is sure to excite private sector investment and partnership as well.

- We have seen the benefit that the Eastern U.S. and other countries gain from their high-speed rail systems, and I believe it's time that we start to follow that trend in California.

Congressman Joe Baca
House Committee on Transportation and Infrastructure Hearing – *California's High-Speed Rail Plan: Skyrocketing Costs & Project Concerns*
December 15, 2011
Statement for the Record

- I realize that there are some that have concerns over the cost and the potential for significant waste in these types of projects.

- However, a sustained commitment to committee hearings like this and other similar oversight actions taken at the local, state, and federal level will help reduce these risks and allow us to move forward in an efficient and timely manner

- Again, I want to thank the Chair and Ranking Member for their leadership on this issue. I thank the witnesses for taking the time to be here today, and I yield back –

Statement of Congressman Russ Carnahan

House Transportation and Infrastructure Committee

Hearing on California's High-Speed Rail Plan: Skyrocketing Costs & Project Concerns

By

15 December 2011

Mr. Chairman, thank you for holding this hearing today to discuss high-speed rail, an issue that is important to my constituents in St. Louis and across the Midwest. High-speed rail is important to my constituents on two fronts: As an important mode of transportation linking our cities and as a job creator. In addition to these benefits, high-speed rail also helps our environment and reduces congestion and the wear and tear on our roads. While we must ensure that these large scale projects are planned, managed, and implemented thoughtfully, carefully, and without wasting taxpayer funds, I believe on the whole they are important projects well worth a significant federal investment.

Looking specifically at the California system which is the subject of today's hearing, Construction of the initial Central Valley section is expected to generate 100,000 direct and indirect jobs over five years, an average of 20,000 jobs annually. Direct and indirect jobs to build all of Phase 1 are estimated at 1.2 million to 1.4 million over 20 years, an average of approximately 65,000 jobs annually. The Phase 1 system will generate 4,500 permanent operations and maintenance jobs.

This will obviously be a huge job creator for California, and I hope the Midwest will also see large scale projects which will generate this level of job creation.

I would also like to ask unanimous consent that the testimony of Joseph Vater, Jr. be included in the record today.

Thank you Mr. Chairman, I look forward to working with all the members of this committee to find the resources to modernize our national rail system.

Statement for the Record
to the
House Transportation and Infrastructure Committee

Hearing on California's High-Speed Rail Plan:
Skyrocketing Costs & Project Concerns

By
Mr. Joseph A. Vater, Jr.
President, Descendants Group, an Auxiliary of the American Defenders of Bataan and Corregidor, Inc.

15 December 2011

Japanese Corporate Use of U.S. POWs as Slave Labor

Mr. Chairman, I am President of the Descendants Group, an Auxiliary of the American Defenders of Bataan and Corregidor, Inc. (ADBC). The American Defenders of Bataan and Corregidor was founded in 1946 and represented the surviving prisoners of war of Japan and their families. I would like to call your and the Committee's attention to the fact that many of the Japanese companies that intend to bid on California's High-Speed Rail contracts profited from the use of American and Allied (POW) slave labor in the most brutal of conditions during World War II.

These companies, unlike those in Germany, Austria, and France, have never acknowledged nor apologized for this gross violation of human rights and breach of the Third Geneva Convention on the treatment of POWs. It is a concern to me and other members of the Descendants Group that taxpayer dollars may go to Japanese corporations that still do not respect the American veterans they once enslaved.

My father, Joseph A. Vater, was one of these men.

After fighting in and surviving the Battle for the Philippines he was taken prisoner by Japan in May 1942 on Corregidor. He was held months in a fetid POW camp where thousands died. He was then shipped to Mukden, China (today's Shenyang) in October 1942 on Mitsubishi's Tottori Maru via Formosa and Korea. My father became a slave laborer at MKK factory (Manshu Kosaku Kikai, possibly Manchuria Mitsubishi Machine Tool Company, Ltd.), working as a machinist. He still carries many scars and continues to have frightening nightmares that remind him on a daily basis of his forced labor.

There was a broad government program in which over 60 private Japanese corporations requested, paid for, and effectively enslaved POWs in order to maintain wartime industrial production. Tens of thousands of Allied POWs endured abuses at the hands of the employees of these companies that were comparable to, and sometimes worse than, that inflicted upon them by the Japanese military.

As a result, more than a 1,000 American POWs (over 3,500 Allied POWs) died on the main islands of Japan alone. Those who survived found themselves with permanent physical or mental damage.

The POW slave laborers of Japan were subjected to starvation rations, minimal medical treatment, constant physical abuse, summary punishment, murder, and other degradations. The death rate of Americans captured by the Japanese and who died as prisoners of war was nearly 40 percent, as compared to a little over one percent held in German *stalags*.

Nearly all of the Japanese companies that want to bring High-Speed Rail to California used POW slave labor. Many of these corporations boast over 100 years of continuous operation spanning three centuries. Many utilized labor from multiple POW camps for their mines, factories, foundries, and docks. Some of the camps were in Japan's occupied territories. Current research finds the number of camps associated with some of the Japanese companies bidding on California contracts as follows: Mitsui-9; Mitsubishi-5, Hitachi-7, Kawasaki-2, Sumitomo-5, and Nippon Sharyo-2.

None of these companies has acknowledged their involvement in POW forced labor and maltreatment, much less apologized for it. That is in stark contrast to German and French bidders for the High-Speed Rail projects, both of which have not only apologized for their war crimes during WWII, but also committed themselves to supporting projects of remembrance and reconciliation.

Last year, for the first time, the Government of Japan offered its apology and established a visitation program (modeled on a longstanding Japanese program for POWs of other allied nations) for American former prisoners of war of Imperial Japan.

It is time for Japan's private companies to follow their government's lead and offer their own apologies. Further, commitment to this apology can be demonstrated through the establishment of a foundation for the remembrance of the POW experience in the Pacific.

To date, the two consortia headed by Japan's leading passenger rail firms, JR East and JR Central, which are planning to bid on American High-Speed Rail projects, have been silent. As rail operators both companies' forbearers were complicit in POW abuses; both have roots deep in Japan's wartime government Railway Ministry.

JR East's antecedent transported prisoners to 46 POW camps including the infamous Ofuna Interrogation Center where American Naval officers were routinely tortured to death. JR Central's predecessor transported prisoners to 12 POW camps, including the ones supplying workers to Nippon Sharyo. Now owned by JR Central, Nippon Sharyo made the engines used on the Thai-Burma Death Railway (one of which sits at the entrance of the museum at the Yasukuni Shrine).

That the transportation of POWs to "death-by-work" camps and widespread forced labor constitute war crimes is self-evident. Yet, the Japanese companies involved have refused to publicly acknowledge this history. Their counterparts in the European Axis countries, by contrast, have apologized and atoned for similar wrongdoing.

In 2000, the German government and industrial sector established and funded in equal measure the "Remembrance, Responsibility and the Future" Foundation. Among the fund's continuing objectives are "anchoring the history of forced labour" in European memory, "fostering commitment to democracy and human rights through history learning," and "engendering respect for the life histories of those persecuted."

Over the past three years, the former commander of the American Defenders of Bataan and Corregidor has written three times to Japan's premier business organization, Keidanren, to which most companies that enslaved American POWs belong, asking that it apologize on behalf of its members to the American POWs. Keidanren's corporate responsibility charter states a commitment to "respect human rights" and to "conduct business in a socially responsible manner." Keidanren has never replied. Further, it refused to meet in with any of the visiting POWs who were guests of the Japanese government in the fall of 2010 and 2011.

For both business and moral reasons, JR East, JR Central and the other Japanese companies that profited from the forced labor of POWs and others now have a chance—and incentives—to right past wrongs. The American POWs do not seek compensation. Justice for my father and his fellow prisoners is a public apology and a meaningful program of visitation, dialogue, memory, and research on the American POW experience in Imperial Japan.

I and other members of the Descendants Group sincerely hope that the State of California will advise these Japanese companies to promptly acknowledge their involvement in wartime forced labor and offer an apology to the American POWs.

These veterans of America's greatest generation should not be forgotten and Japan's corporations should no longer be allowed to forget.

Mostly, we ask them to respect these veterans' dignity and to acknowledge their sacrifices for peace in Asia.

After doing so, these Japanese companies can join in the bidding on California's High-Speed Rail contracts as honorable, socially responsible companies.

Mr. Joseph A. Vater, Jr.
President
Descendants Group, an Auxiliary of the American Defenders of Bataan and Corregidor, Inc.
c/o Meyer, Unkovic & Scott LLP
535 Smithfield Street, Suite 1300
Pittsburgh, Pennsylvania 15222-2315
Tel: (412) 456-2827; Fax: (412) 456-2864
jav@muslaw.com

Anna G. Eshoo

Statement of Representative Anna G. Eshoo
House Committee on Transportation and Infrastructure
Regarding California High Speed Rail System
December 15, 2011

Thank you, Mr. Chairman, for holding this important hearing on the future of California's high-speed rail system. I would like to speak today about the positive aspects of the "blended system" proposal on the San Jose to San Francisco high-speed rail segment.

In April of this year, together with State Senator Simitian and Assemblymember Gordon, I called on the California High-Speed Rail Authority and our local Joint Powers Board to develop plans for a blended system that integrates high-speed rail with a 21st Century Caltrain. We called for this plan because so many of our constituents were convinced that the California High-Speed Rail Authority was on the wrong path.

Our blended system proposal pushed a "reset" button on the future of the State's rail system and provided some basic parameters for what "high-speed rail done right" might look like in the region, while very importantly still meeting the requirements of Prop. 1A.

I'm pleased to tell you that since our announcement in April, critical support has emerged across many communities of interest. Several City Councils, including some once strongly opposed to the original high-speed rail efforts, have now officially endorsed the blended system proposal. The Bay Area Council and the Metropolitan Transportation Commission are also actively working in support of the blended system plan.

In addition to the endorsements by local communities, the Joint Powers Board, owner of the Peninsula rail corridor, completed a preliminary analysis in August that supports the operational feasibility of a blended system that integrates high-speed rail with a modernized, 21st Century Caltrain. The preliminary analysis included high-speed rail service to the Transbay Terminal as required by state law and an electrified rail system for both high-speed rail and Caltrain trains using the federally mandated positive train control (PTC) system. Federal funds have already been obligated for PTC planning which provides the foundation for the essential signaling system for high speed rail which will improve Caltrain's safety and efficiency. At this critical juncture for high-speed rail in California, there is significant momentum for the blended-system proposal on the Peninsula.

Let me highlight that the blended system proposal we put forward to integrate high-speed rail with a 21st Century Caltrain will *save* taxpayers billions of dollars while being responsive to concerns raised by Californians. I'm pleased to see that the CHSRA draft business plan included many of the blended system provisions.

I hope this Committee recognizes the great strides made on the Peninsula to develop a plan that will make prudent use of limited public funds and is responsive to legitimate concerns about the impact of high-speed rail on our cities and neighborhoods.

Barbara Lee

Congresswoman Barbara Lee
California's 9th Congressional District
Witten Testimony Submitted To The
House Committee on Transport and Infrastructure
Subcommittee on Railroads, Pipelines, and Hazardous Materials
Hearing on
"California's High-Speed Rail Plan: Skyrocketing Costs and Project Concerns."
Thursday, December 15, 2011 – 10:00 a.m.
2167 Rayburn House Office Building

Testimony

Chairman Shuster, Ranking Member Brown, Members of the Subcommittee, I thank you for allowing me to share a few words on my home state's ambitious plan to bring our state into the 21st century with this cutting edge infrastructure project. I also welcome Federal Railroad Administrator Szabo, Deputy Administrator Hedlund, California High Speed Rail Authority Board Chairman Umberg, and CEO van Ark. I thank the witnesses for all they have done to move this project from a dream to a reality.

While the topic of today's hearing is on the costs of the high-speed rail project, let me say from the outset that I believe in the integrity of business plan put forward by the California High Speed Rail Authority, and look forward to working constructively with the parties here today and in the future to make this critical project happen.

That said, I would like to share a few words concerning the project going forward, in particular the question of how disadvantaged business enterprises (DBEs) can be given a fair opportunity to construct the rail project.

These funds should be going to the communities hit hardest by the recession, to help revitalize our local economies. Given the massive size of California's high-speed rail project, the potential is certainly there to give a much-needed boost to communities that need it.

In particular, the project has the potential to be a source of much-needed work for smaller, minority-owned businesses, which often serve as economic engines for the communities where they are located. Hundreds of eminently qualified minority-owned businesses are ready and able to compete for contracts on the high-speed rail project – provided they are given the opportunity to do so.

Significant concerns have been raised about CHSRA's willingness to open up contracting opportunities broadly to all qualified businesses. I have closely watched a civil rights complaint filed last year by the Lawyers' Committee for Civil Rights of the San Francisco Bay Area on behalf of Associated Professionals and Contractors of California, an organization representing the interests of DBEs and other firms traditionally excluded from equal opportunity. That complaint documented exceedingly low minority business participation rates on CHSRA contracts and traced those low participation rates to an insular procurement system that was largely closed off to smaller businesses.

I was heartened to see that the Federal Railroad Administration took strong action on that complaint this fall. In September, FRA issued a directive to CHSRA mandating that the Authority take a number of specific steps to reform its contracting practices, to ensure that minority-owned businesses are given equal opportunity to compete for CHSRA contracts.

We are still waiting to see whether that enforcement order will truly result in changes on the ground. But I have certainly been encouraged by FRA's actions. I believe that this Administration recognizes – as those of us in California certainly know – that in order to be successful, this project must be broadly inclusive and open to the full diversity of our State.

I plan to work to ensure that CHSRA does in fact reform its business practices as ordered by FRA, and I hope that FRA will sustain its commitment to promoting equal opportunity on this project. Because if all businesses are allowed to compete on an equal footing for these contracting opportunities, then we will see not only the creation of a significant new infrastructure project but the economic stimulus our communities need as well.

Thank you very much.

Zoe Lofgren

Statement from Rep. Zoe Lofgren
House Transportation and Infrastructure Committee Hearing
California's High-Speed Rail Plan: Skyrocketing Costs & Project Concerns
Thursday, December 15, 2011

Chairman Mica, Ranking Member Rahall, thank you for giving me the opportunity to share my views on the California high-speed rail project. This project is important for San Jose, for California, and for our nation.

High-speed rail has the potential to transform intra-state transportation in California, the 8th largest economy in the world. Traveling from Los Angeles to San Francisco in a little over two hours would be a great asset to the State and a necessary infrastructure improvement considering California's growing population.

According to the recently released California High-Speed Rail Authority Draft Business Plan, California's population is expected to reach 50 million people around 2031. If we don't invest in high-speed rail, it would cost $171 billion, an extra $70 billion **more** than high-speed rail, to address the needs of California's growing population.

In order to achieve the same capacity as the high-speed rail system, California would need to construct: 2,300 new lane-miles of highway; 115 additional gates at California airports; and 4 new airport runways. Anyone who has ever been to California understands that this is not a realistic alternative.

Without high-speed rail, there will be more pollution and more congestion, increasing health care costs and harming the environment in California. We will fall behind other countries like China, as they invest in their infrastructure while we continue to do nothing.

Infrastructure spending creates jobs and promotes economic growth. The first 130 mile segment in the Central Valley is expected to create 100,000 jobs, while the entire system will create approximately 1 million jobs. Beginning the system in the Central Valley will lay the groundwork for completion of the entire train system. Everyone understands the difficult fiscal constraints we are in, but to not invest in high-speed rail in California during this critical juncture is to undercut our future.

The Draft Business Plan is still being reviewed by the people of California who passed a $9 billion high-speed rail bond in 2008 to help finance the project. Once that feedback is accounted for, the California High-Speed Rail Authority will make necessary changes and updates to their plan. This is a work in progress and one that deserves our support. It takes vision, and a commitment to bettering our country, to move forward with major infrastructure projects and I believe that this Committee, above any other, should understand that.

Congresswoman Laura Richardson

Statement at Committee on Transportation and Infrastructure,

Hearing on "California's High-Speed Rail Plan: Skyrocketing Costs and Project Concerns"

2167 Rayburn House Office Building

Thursday, December 15, 2011

10:00A.M.

Thank you Chairman Mica and Ranking Member Rahall for holding this hearing on California's proposed high-speed rail plan. This is an important issue to me as well as the people of California.

As a member of the Railroad, Pipelines and Hazardous Materials subcommittee, a Co-Chair of the Congressional Caucus on California High-Speed Rail and Vice-Chair of the Congressional Bicameral High-Speed and Intercity Passenger Rail Caucus, the development and implementation of a national high speed rail system is one of my highest priorities. Right now China is operating thirteen high speed railways and has more than 20 under construction. By 2020 this network will cover nearly 10,000 miles. This committee is tasked with developing and maintaining our nation's infrastructure as well as creating jobs in the process, yet today we are discussing why high speed rail can't work in California and should be limited to one corridor.

The United States didn't develop a space program or a national highway system with words like can't.

The recently released California High-Speed Rail Authority Draft Business Plan found that without high-speed rail, it would cost $171 billion to address the needs of California's growing population. To achieve the same capacity as the high-speed rail system, California would need to construct: 2,300 new lane-miles of highway; 115 additional gates at California airports; and 4 new airport runways. The plan also lays out a rational, "step-by-step" strategy to bring high-speed rail to California including a model for private investments.

The Central Valley has one of the highest unemployment rates in the country and averages almost 2.6% higher than the state average. Fresno County unemployment is at nearly 15%. California needs jobs and high speed rail is the answer. High speed rail in California will create more than a million jobs, including more than 600,000 construction jobs over the lifetime of the project. Mr. Chairman California needs this project.

High-speed rail will mean less congestion and improved air quality, reducing health care costs and improving the environment. This is especially important in California where cities are often ranked as the most polluted and congested US cities. Nearly, one in five children in the Central Valley suffers from asthma. Mr. Chairman we need to take cars off the roads. California's high speed rail system is expected not only to reduce

congestion on our highways but reduce carbon emissions by 3 million tons annually.

There have also been concerns by my colleagues about the costs and where the funding is coming from. Tell me what major transportation project has all of the required funding up front? This project is a necessity to the success of California and the success of the United States. A colleague of mine, across the aisle, wrote in Roll Call in July that 'Amtrak predicts the NEC is expected to cost over $117 billion' and that is without inflation. More than the cost of the California high-speed rail plan. And yet just last week this committee held a hearing on why we should be investing in the NEC corridor. To my colleagues across the aisle – where is all the funding for that project? The federal government has the responsibility to get the ball rolling. Once we make the investment to build high-speed rail in California there are numerous opportunities for private sector involvement and job growth.

This committee has tried to make the case that the NEC is the only option for high speed rail because of the concentrated population. This is only half the tale, the NEC region serves the sixth largest economy in the world with a GDP of $2.59 trillion and about 18 percent of the U.S. population. These figures make a strong case for the establishment of high speed rail alternatives to I-95.

I will give you another strong case. The state of California alone has the ninth highest GDP in the world at $1.9 trillion, first in the

US, and represents about 12 percent of the U.S. population and has the ability to connect major metropolitan areas. California is also home to some of the largest and most congested highways in the country which are desperate need of repair and are estimated to cost hundreds of billions of dollars to repair and expand as California's population continues to boom. Some portions of California offer a landscape that make true high speed rail speeds, like those achieved in France and China, possible to the US. So don't tell me high-speed rail can only work in the NEC.

We are getting in the habit of picking winners and losers rather than doing what is right for this country. We have an opportunity to leave the next generation a world class high-speed rail system and yet we are playing politics before our national well being.

The fact is Mr. Chairman our nation's infrastructure is inefficient and inadequate. Whether it is 8 to 20 mph on Interstate 5 or Interstate 95 – our country's most vital highways are parking lots. A recent Urban Mobility Report by the Texas Transportation Institute (TTI) found that the cost of these slow speeds, long delays, and endless congestion continues to cost the United States over $100 billion annually. Now is the time to make investments for alternatives to congested highways and to simultaneously create jobs.

What if we had not made the investment in the NEC decades ago? I could not imagine I-95 without the NEC rail service and I don't want to imagine what I-5 will be like without an alternative like

high-speed rail. We made the investment in NEC years ago to provide an alternative to air and highway transportation and it has paid dividends. Now I am asking that we make that same investment in California. Our highways system simply cannot sustain the expected growth in the state. We desperately need to invest in alternatives now so our future generation does not suffer.

I want to thank all of our witnesses before the committee today and I look forward to hearing your testimony about this important issue.

I yield back.

Rep. Schiff Statement
Hearing on California's High-Speed Rail Plan
House Committee on Transportation and Infrastructure
December 15, 2011

Mr. Chairman and Ranking Member, thank you for providing me the opportunity to submit comments at this hearing in support of the California High-Speed Rail project.

This project will provide a much-needed boost to the California economy, which has been badly battered during the recession. It will create jobs in the hard-hit construction industry – it is estimated that for every $1billion invested in high speed rail, 20,000 jobs will be created. But the project's economic impact can be measured in more than the immediate construction jobs that it will create, it can also be measured in the permanent service jobs it will create to serve travelers on the trains and in the stations along the line. The line will also spur economic development in historically underinvested communities through transit oriented development projects around stations across the state, injecting new life into struggling communities. The project is essential because it will help transform the California economy.

The dream of high-speed rail transversing the state must be made a reality, if the state is to meet the transportation needs of a growing population. The state is expected to add between 10 to 20 million people over the next 30 to 40 years. In order to accommodate moving an additional 10 to 20 million people throughout the state, the state would have to build 2,300 miles of new highways, 115 new airport gates and 4 new airport runways at the staggering sum of over $170 billion. Not only is the cost of building such transportation improvements significantly more costly than the cost of building high-speed rail in the state and likely to drain the state's coffers, the highly populated sections of the state lack the physical space to build such improvements. The California High-Speed Rail project is imperative if the state is to meet the future transportation needs of the state in a fiscally and environmentally sustainable manner.

Yet despite the significant benefits of high-speed rail to the state, the project's rising costs have led to persistent criticism of the project – that it is too costly and that it will never be completed.

Unquestionably, the rising costs are concerning and the project will need to be carefully managed and vigorously overseen to ensure it is efficiently built. But I refuse to accept the idea that as a nation we are incapable of designing and building an efficient high speed rail as other developed country's have done. I believe that America has the foresight, the technical knowledge and the skilled labor necessary to bring high-speed rail to California and the rest of the country.

Indeed, we must if we are to remain economically competitive in the global economy with other nations that have efficient and interconnected transportation systems to move people and if we are to tackle the challenge of climate change by offering people an appealing alternative to cars and planes that pollute our skies and clog our roads.

Thank you for your time.

Statement of Congressman Dennis Cardoza
Before the House Committee on Transportation and Infrastructure

"California's High-Speed Rail Plan: Skyrocketing Costs & Project Concerns"

Introduction

- Chairman Mica, Ranking Member Rahall and Members of the Committee, I'd like to thank you for allowing me the opportunity to speak about the proposed High Speed Rail system in California.

Background and Challenges

- California and our nation face a number of challenges, both related to the economy and to our quality of life.
- There is incredible congestion on California's highways and in its airports, costing California's economy, the 9th largest in the world, over $14.5 billion each year.
- Travel on the interstate system is increasing at a rate *five times faster* than capacity has been added.
- California, particularly the San Joaquin Valley where my district is located, has some of the worst air quality in the nation. 1 in 6 children in Fresno have asthma, much higher than the national average.
- And exacerbating all of these other problems is the challenge presented by rapid population growth.
- California is projected to add 20 million people by 2050, and the Central Valley is expected to more than double in size.

- Faced with these simple facts, it's very clear that investments need to be made to improve mobility, air quality and the economy in California.

HSR Opportunities

- In both our nation's and in California's history, tough times have led to bold and innovative solutions.
- The opportunity presented by California High Speed Rail is a continuation of this legacy of visionary leadership.
- From a practical standpoint, if we don't construct high speed rail, in order to meet our state's needs, we would need to construct:
    - 2,300 new miles of highway
    - 115 new airport gates
    - And 4 new runways
- All at a projected cost of more than $170 billion.
- While costly, there have been no cost projections for the California High Speed Rail system that have come anywhere close to $170 billion.
- And High Speed Rail has a number of secondary benefits including:
    - Improving air quality by reducing the number of cars and trucks on the road
    - Reducing the amount of farmland taken out of production, compared to massive highway expansion
    - And providing a clear vehicle for economic investment into communities along the rail route

Economic Development

- As I mentioned in the beginning of my statement, the people I represent in the San Joaquin Valley are in a dire economic situation.
- The latest reported unemployment in three of the cities in my District ranges from 15 to 17 percent, nearly twice the national unemployment rate.
- Crime has increased and jobs are scarce.
- The economic analysis of this project shows that construction of the initial segment will generate nearly 100,000 jobs.
- The people I represent desperately need these jobs, the jobs that will be generated as the system becomes operational, and the spin off of economic activity associated with the project
- Furthermore, the San Joaquin Valley desperately needs to be connected to the other major areas of the state in order to realize greater economic, cultural and educational opportunities.

Concerns

- There have been some concerns expressed by Members of this Committee about the development of the California High Speed Rail system and about the Authority's ability to carry out such an expansive project.
- To be frank, I have shared many of your concerns.

- Specifically, the concerns I had involved transparency in the process and potential impacts of the project on the agricultural communities I serve.
- However, I have seen an improvement in the Authority's process, outreach and transparency. It is essential that these improvements continue as we move forward.
- I was also concerned with some of the alignments that were under consideration that would have resulted in a significant amount of farmland being lost and in drastic impacts on the agricultural community.
- The Authority ultimately selected the correct alternative, the hybrid A-2 alignment, which had the least impact.
- In the same vein, I urge the Authority to select the alignment along the 152 freeway when designing the "WYE" in the Merced to San Jose segment, so that farmland vital to our nation's food security can be protected.

Community Support

- As a result of the Authority working side by side with the local communities, there is strong support in my District for bringing High Speed Rail service to Merced and other communities in the Valley.
- The Authority held a public meeting two days ago in the City of Merced to select the preferred route, where hundreds of people were in attendance.

- Over 90% of those in attendance not only spoke in favor of the project, but thanked the Authority for listening to and addressing their concerns.
- The Authority still has a long way to go in the development of the project, but if the the Authority's handling of the preferred route for the Merced-Fresno segment is any indication, the Authority has the capability of working with local communities to address the local concerns.
- While ultimately all of those concerns may not be addressed, based on the experience of my constituents, the Authority will take a good hard look at all of the alternatives presented and will come to the right solution.

Conclusion

- I'd like to thank you again for the opportunity to speak in support of this project and I look forward to hearing the rest of the testimony.

Congresswoman Loretta Sanchez
Testimony before the House Transportation and Infrastructure Committee
Hearing on "California's High-Speed Rail Plan: Skyrocketing Costs & Project Concerns"

December 15, 2011

Loretta Sanchez

- Thank you Chairman Mica and Ranking Member Rahall for allowing me to testify as part of this panel today.

- I appreciate the opportunity to speak on behalf of a project that I believe will not only be instrumental to the recovery of California's economy, but imperative to dealing with the state's projected growth.

- There are two realities about California's high-speed rail system. One, it will create thousands of jobs. Two, it offers an innovative solution for some of the nation's busiest highways.

- This investment will create the jobs that many Californians are desperately looking for. In the first stage of the first phase alone, we will see nearly 100,000 new jobs created that will be available for struggling families.

- And connecting the Los Angeles and San Francisco metropolitan areas will generate approximately 800,000 to 900,000 jobs and eventually will result in well over one million throughout the construction lifecycle.

- This project will positively impact our state's economy and play a pivotal role in bringing down an unemployment rate that surpasses the nation's rate of unemployed Americans.

- Already armed with $9 billion in state bonds and nearly $4 billion from the federal government, this project makes California an ideal partner in building a 21st century America.

- The way I see it, an investment in California's high-speed rail system is an investment in our nation's prosperity.

- Additionally, if the provisions addressing infrastructure investment in the President's American Jobs Act that go beyond high speed rail were enacted, they would create roughly 51,500 jobs in California alone.

- It is unbelievable that some of my colleagues do not want to put American's back to work by reinvesting in our infrastructure.

- Investing in high-speed rail projects like this one will lead to the transportation systems of the future while creating good-paying jobs for workers in our community.

- Aside from creating jobs that we so desperately need, a high-speed rail system in California will solve major infrastructure problems that will only worsen if we continue to brush over the issue.

- I ask today's panel to travel on California's highway system during non-rush hour to truly understand the magnitude of the gridlock.

- It is increasing at a rate five times faster than the current capacity, with vehicle miles traveled increasing by 36 percent between 1990 and 2004, and the number of Interstate lane miles increasing by only 7 percent during that same period.

- We will continue to gridlock our nation and our commerce if we do not alleviate this growing congestion.

- I know some of my colleagues argue that this project has become too costly. But the price of doing more of the same without truly addressing California's transportation issues will cost us twice as much as an innovative approach that allows us to catch up to the infrastructural success of other developed countries around the world.

- The California High-Speed Rail Authority states that with the completion of this system, California's drivers will see significant relief in traffic congestion, with a reduction of 320 billion vehicle miles traveled over the next 40 years.

- Not only is the high-speed rail system in California necessary but it is a smart investment in our future infrastructure.

- I know that we are dealing with a recovering economy and there are hesitations due to the large price tag on this project. However, rebuilding our economy is the precise reason we should move forward on this project.

- A project that will create thousands of new jobs, a project that builds a 21st century America and a project that put our economy back on the right track.

- I believe a high-speed rail system in California is a smart investment and what our economy needs to once again return to a leading economy.

- I am a strong supporter of this smart and essential project and I will continue to work to see it move forward. I hope all of you will join my colleagues and me and do the same.

- Thank you for your time.

Statement of the
Honorable Joseph C. Szabo
Federal Railroad Administrator
Before the
Committee on Transportation and Infrastructure
United States House of Representatives

California High-Speed Rail Plan: Skyrocketing Costs and Project Concerns

December 15, 2011

Chairman Mica, Ranking Member Rahall and members of the Committee: It is my honor to represent President Obama and Secretary of Transportation Ray LaHood before you today to discuss the California high-speed rail (HSR) project. This testimony will first explain why we believe high-speed rail is critical to the State of California's future, and then discuss the key risk factors that my agency is carefully assessing as we move forward, concluding with a description of next steps.

Why are we doing this?

Throughout this nation's history, transportation infrastructure has been a key driver of our economic growth and competitiveness. The canals and waterway systems in the 18th century, the transcontinental railroad in the 19th century, and the interstate highway and aviation systems in the 20th century all transformed the American economy and way of life, helping the United States become the global leader that it is today.

This is clearly true in California as well. California alone is the world's 9th largest economy and is known across the globe for its innovative and entrepreneurial spirit, top-tier educational institutions, and thriving communities. California achieved this status because past generations recognized the importance of infrastructure and invested accordingly – in ports, electric power systems, highways, water systems, railways, airports, universities, and more.

Today, California (not unlike other regions of the U.S.) faces a series of related and complex challenges that must be addressed if the State is to maintain its global economic competitiveness and high quality-of-life – and with 12 percent of the nation's population and 13 percent of GDP, California's success is critical to the nation's economic vitality:

- **Population growth:**
  - *Statewide*: California's population will grow by 20 million people between 2010 and 2050, reaching 60 million.[1] That growth *alone* is larger than the current population of every State except Texas.
  - *Central Valley*: This fast-growing region stretching from Sacramento to Bakersfield is currently home to approximately 6.1 million people—more people than all but 17 States. The Central Valley is expected to more than double in size,

---

[1] California Department of Finance, "Population Projections for California and its Counties 2000-2050," July 2007. http://www.dof.ca.gov/research/demographic/reports/projections/p-1/.

to 13.2 million people by 2050[2]—equivalent to *adding* more people than the entire populations of Massachusetts or Washington to this relatively small region.

- **Mobility:**
    - *Air congestion*: Delayed flights at six of California's major airports had an economic impact of more than $1 billion in 2010.[3] Los Angeles-to-San Francisco is the busiest and most delay-prone short-haul air market in the U.S., with approximately one of every four flights late by at least an hour. According to FAA, California is home to 5 of the 14 U.S. airports that will require additional capacity by 2025 to accommodate projected increases in demand, even *after* planned improvements are made. In densely populated places like the Bay Area and the Los Angeles Basin, airport capacity is constrained by geography, airfield, and airspace, making expansions costly and challenging.[4]
    - *Road congestion*: California's highways are among the most congested in the nation, costing residents and businesses in Los Angeles and San Francisco alone nearly $13.5 billion dollars in 2010. Between 1982 and 2010, the average hours of delay experienced by commuters in the San Diego area increased 375 percent, from 8 to 38 hours each year.[5] Many fast-growing communities in the Central Valley now suffer from increasing congestion, as well.

- **Air quality:**
    - Air quality is a major challenge in California, in large part due to automobile and truck emissions, which are worsened by congestion.[6] According to the U.S. Environmental Protection Agency, four of the five metropolitan areas with the worst air quality are in California, with two Central Valley areas (Bakersfield and Fresno) ranking second and third.[7]
    - The American Lung Association's air quality report notes that California is home to 8 of the 10 metropolitan regions with the worst ozone pollution—six of which are in the Central Valley. Bakersfield ranks first or second in all three categories analyzed (ozone, year-round particle pollution, short-term particle pollution).[8]

California—and the nation—will suffer if these challenges are not addressed. The question we must answer is not *if* substantial investments need to be made in California, but *how* – what is the best mix of solutions, from transportation, cost-effectiveness, and public benefits perspectives? We agree with the State of California that high-speed rail must be a key part of the solution.

---

[2] California Department of Finance, "Population Projections for California and its Counties 2000-2050," Table: Population Projections, July 2007. http://www.dof.ca.gov/research/demographic/reports/projections/p-1/.

[3] FRA analysis of passenger and flight totals and delay data from the Bureau of Transportation Statistics, applied to monetary impact values as developed by the Airlines for America (formerly Air Transport Association). The six airports analyzed are SFO, LAX, SAN, OAK, SNA and LGB.

[4] Federal Aviation Authority, "Capacity Needs in the National Airspace System," May 2007. http://www.faa.gov/airports/resources/publications/reports/media/fact_2.pdf.

[5] Texas Transportation Institute, "TTI's 2011 Urban Mobility Report," September 2011. http://mobility.tamu.edu.

[6] California Air Resources Board, "ARB Fact Sheet: Air Pollution and Health," 2009. http://www.arb.ca.gov/research/health/fs/fs1/fs1.htm.

[7] U.S. Environmental Protection Agency, "Number of Days with Air Quality Index Values Greater than 100 at Trend Sites, 1990-2010, 2010 Trend Sites," 2011. http://www.epa.gov/air/airtrends/aqi_info.html.

[8] American Lung Association, *Most Polluted Cities: State of the Air, 2011*. http://www.stateoftheair.org/

From a transportation perspective, HSR will provide substantial amounts of fast, frequent, and reliable travel capacity with a relatively limited environmental footprint, freeing up badly-needed capacity on California's runways and highways that can then be used to accommodate the travel needs of the state's growing population. Additionally, the airports in San Francisco and Los Angeles are among the most important international gateways in the nation—shifting valuable landing slots from short-haul flights to longer journeys will connect California and the nation to a larger number of international markets.

From a cost-effectiveness perspective, the California High-Speed Rail Authority (CHSRA or the Authority) estimates that without this HSR investment, the State would need to invest $171 billion to acquire the equivalent level of capacity—2,300 miles of new highways, 115 new airport gates, and 4 new airport runways. In addition to this high price tag, many of these expansion projects would conflict with various local, state, and federal transportation goals and policies, and in some cases may not even be possible due to geographic constraints. Operations and maintenance costs for these expansions would not be fully paid by users (whereas projections show the HSR project will recover these costs through ticket revenues), and thus would add substantial additional public costs in the future.

From a public benefits perspective, the HSR project addresses many economic growth, quality of life, and mobility challenges. Utilizing domestic and international best practices, the Federal Railroad Administration (FRA) has independently analyzed the expected public benefits that will be generated over a 40-year period, beginning with the commencement of operations on the Initial Operating Segment (described below).

Table 1
California HSR - Preliminary Benefits Estimates Over 40 Years*

Benefits	Annual Average	40-Year Totals (2022-2061)
Passenger Travel Time Savings	71– 87 million hours	2.8– 3.5 billion hours
Passenger Cost Savings	$190–$240 million	$7.6– $9.6 billion
Safety	18 – 23 fatalities, 3,200 – 4,100 injuries, and 7,100 – 8,800 accidents avoided	720 – 920 fatalities, 120,000 – 170,000 injuries, and 280,000 – 360,000 accidents avoided
Pollution Reduction Cost Savings	$280– $360 million	$11– $15 billion
Mobility / Congestion	Reduction of 3.3– 4.1 billion vehicle-miles traveled (VMT)	Reduction of 130– 170 billion VMT

*Undiscounted sum of benefits over this period.

In addition to the direct benefits highlighted in Table 1, economists generally agree that large-scale infrastructure investments invariably have wider—even transformational—economic benefits that can have important and long-lasting effects, such as spurring growth in regional productivity and competitiveness.[9] The Authority also estimates that the initial construction work will directly generate over 30,000 job-years, with at least 400,000-450,000 job-years directly generated during full project build-out. Using typical multipliers for infrastructure investments, the project could also generate roughly double these figures in indirect job-years.[10]

What are the key issues?

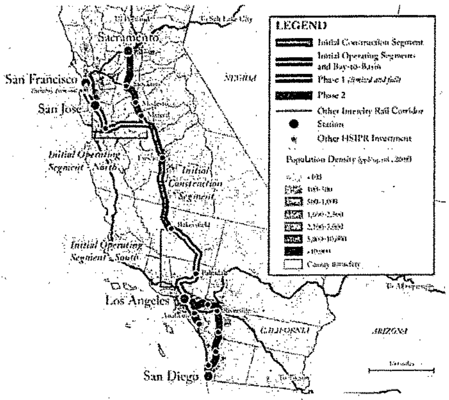
While the need for high-speed rail in California is clear, there are several areas that are critical to both short-term and long-term success of the project. FRA will continue working with the Authority and other stakeholders to provide effective technical assistance and oversight in these key areas:

- Phasing and implementation approach
- Capital costs
- Funding and finance
- Ridership and public benefits

Phasing and implementation approach

While the headlines are focused on the "Full Phase 1" costs and timeline, it is important to recognize that the Authority has laid out a clear, practical, and achievable phasing strategy in its Draft 2012 Business Plan, with several important interim stages coming on-line before full build-out (see sidebar).

California High-Speed Rail
Draft 2012 Business Plan – Phasing Strategy


LEGEND
Initial Construction Segment
Initial Operating Segments and Bay-to-Basin
Phase 1 (Blended and full)
Phase 2
Other Intercity Rail Corridor
Station
Other HSIPR Investment
Population Density
Sacramento
San Francisco
San Jose
Initial Operating Segment - North
Initial Construction Segment
Initial Operating Segment - South
Los Angeles
San Diego
NEVADA
CALIFORNIA
ARIZONA
To Salt Lake City
To Albuquerque

- **Initial Construction Segment (ICS):** 130-mile, fully-funded segment from Merced-Bakersfield
- **Initial Operating Segment (IOS):** beginning of high-speed operations will extend the ICS to either the north or south:
  - *IOS North*: San Jose to Bakersfield (290 miles).
  - *IOS South*: Merced to the San Fernando Valley (300 miles)
- **Bay-to-Basin**: After construction of the IOS, the system will then be extended to complete an operating high-speed line from the San Francisco Bay Area to the Los Angeles Basin, with connecting service to downtowns through local transit and commuter rail options.
- **Phase 1 (Blended)**: Incremental infrastructure investments on the final approaches into the downtowns of L.A. and San Francisco will allow for several high-speed trains per hour.
- **Phase 1 (Full)**: Completion of Phase 1, with frequent downtown-to-downtown connections.
- **Phase 2 – Extensions to Sacramento and San Diego**: 280 miles of high-speed extensions to California's two other major urban centers.

---

[9] See, e.g., Ahlfeldt, Gabriel M. and Arne Feddersen, "From Periphery to Core: Economic Adjustments to High-Speed Rail," London School of Economics and University of Hamburg, 2010. http://mpra.ub.uni-muenchen.de/25106/1/MPRA_paper_25106.pdf.

[10] U.S. Department of the Treasury and Council of Economic Advisors, "An Economic Analysis of Infrastructure Investment," October 11, 2010.

This approach is consistent with how other major infrastructure projects have been implemented, both in the U.S. and across the globe.

Each interim stage, starting with the Initial Operating Segment (IOS) in 2021, is projected to turn an operating profit and generate substantial public benefits, even using new, more conservative cost and ridership forecasts. This strategy will allow the appropriate level of flexibility for a project of this magnitude and complexity, enabling the Authority, the State, and other stakeholders to adapt to changing conditions and challenges during the course of implementing the project. FRA will continue to work closely with the Authority throughout the business planning, environmental analysis, and project development period to identify opportunities for operational and engineering efficiencies and additional interim phasing.

If necessary, CHSRA's Cooperative Agreement with FRA includes an interim use scenario that would make use of the Initial Construction Segment (ICS) before operations are ready to begin on the IOS. Under this scenario, the existing Sacramento-Bakersfield *San Joaquin* service could be routed over the ICS infrastructure, allowing for improved trip times and reliability on a corridor that is already the fifth busiest intercity passenger corridor in the nation, with over one million passengers annually. This approach would ensure that the ICS results in improved passenger rail service and public benefits even before the IOS is ready to begin operations.

Five key reasons the Authority is starting this project in the Central Valley:

1. *Backbone of the System*: The Central Valley segment will provide the core north-south infrastructure, allowing options for the next segment (either north to the Bay Area or south to the Los Angeles Basin) based on project readiness, funding availability, and other factors. Additionally, the connections into the urban cores of Los Angeles and San Francisco will rely primarily on existing rights-of-way and infrastructure; the Central Valley is where the most land needs to be acquired and entirely new infrastructure built. Doing this first makes sense—population growth will only drive these costs upward.

2. *Maximize Funding*: The land-use patterns and flat terrain found in California's Central Valley allow for lower acquisition costs, less complex system designs, and higher prospective speeds.

3. *Advanced Technology Demonstration*: The Authority has the opportunity to demonstrate America's capacity to design, build, and operate world-class high-speed rail service through the Central Valley. This segment will demonstrate the American rail industry's technological and operational capabilities.

4. *Project Readiness and Funding Availability*: The readiness of this segment to begin construction—as well as the statutory requirement for Recovery Act funding to be expended by the end of FY 2017—was a major factor in this decision. The environmental documents for the Central Valley segments will be complete in mid-2012, allowing construction to begin in late 2012.

5. *Growth and Environment*: By 2050, the Central Valley will have more than 13 million people; if it was its own state, it would rank 5th in the nation, more populous than the current populations of Illinois, Pennsylvania, or Ohio. The region is already showing signs of strain on area highways, and the existing airports are ill-equipped to deal with the surge in intercity travel demand that will be created by this growth. As mentioned, the Central Valley suffers from some of the worst air pollution in the nation—Bakersfield, Fresno, Hanford, and Visalia all rank within the top 10 worst metro areas for every pollutant category analyzed in a recent air quality report.[11]

Capital costs

There has been understandable attention on the Draft 2012 Business Plan's capital costs, which in year of expenditure (YOE) dollars increased from $43 to $98 billion for Full Phase 1 implementation. Why did the numbers increase?

- *Contingency and inflation*: $16 billion in contingencies have been included to account for inherent uncertainties in a long-term, complex project (these contingencies range from 15 to 25 percent allocated by cost category, with an additional unallocated contingency of 5 percent added on top). This is an increase from the $8.3 billion in contingencies in the previous plan. Additionally, given that this figure is expressed in "year of expenditure" dollars—which is less typical for multi-decade projects like this—approximately $27.5 billion is simply inflation. Of this inflation cost, $16 billion (or 59 percent) is due to the schedule extension in the Draft 2012 Business Plan. (The estimate conservatively assumes 3 percent annual inflation for the entire project implementation period. Lower inflation rates, as experienced in the past several years, would result in lower YOE costs).

- *Changes requested by local communities*: Local input, environmental necessity, and substantial population growth in the Central Valley have increased the need for viaducts, bridges, and tunnels. For instance, the length of elevated structures increased from 77 miles to 138-168 miles, and for tunnels from 32 miles to 51-52 miles (depending on alignment alternatives). The Authority estimates that 80 to 85 percent of the capital cost increase is due to "scope growth" factors such as these, while the remaining 15 to 20 percent is due to increases in component costs.

- *Refined engineering design and environmental studies*: The new estimates are based on more rigorous analyses, as the project has further advanced in the design and environmental review process. These estimates have been developed and examined by domestic and international experts in HSR design and construction.

These figures are in-line with international examples. A World Bank report found that HSR construction and equipment costs (excluding right-of-way acquisition and professional services) typically range from $56 to $112 million per mile.[12] The capital costs for the IOS and Bay-to-Basin phases are well within this range, especially when considering the difficult topographic and seismologic characteristics of California (see Table 2). The Full Phase 1 costs, while on the higher end of this range, are reasonable when considering the limited existing rail infrastructure into central Los Angeles and San Francisco (many international systems were able to build upon significant existing infrastructure for "last mile" connections into urban cores).

---

[11] American Lung Association, *Most Polluted Cities: State of the Air, 2011.* http://www.stateoftheair.org/

[12] World Bank, *High-Speed Rail: The Fast Track to Economic Development?*, July 2010.

Table 2
California HSR Construction/Equipment Costs (from Draft 2012 Business Plan)
(excl. ROW and professional services)

Phase	Cost Per Mile (2010 $M)
Initial Operating Segment	$74-87
Bay-to-Basin	$84-100
Full Phase 1	$104-119

These costs should also be put into context. Assuming an annual GDP growth rate of 2.3 percent (the annual average growth rate experienced from 2000-2010), the total public *plus private* expenditures on this project in nominal dollars will be roughly 0.02 percent of U.S. GDP over the project's implementation period, and just 0.16 percent of California's GDP.

It is also useful to consider these costs in the context of other transportation projects in California. Replacing the east span of the Bay Bridge will cost $6.4 billion[13]; the 10-mile I-405 expansion in L.A. will cost $1 billion[14]; the planned 25-mile North County Corridor in the Central Valley is estimated to cost $1.2 billion[15]; and Los Angeles International Airport is undergoing a $4.1 billion modernization and expansion project[16]. Simply put—adding and maintaining transportation capacity in California, while vital, is expensive.

Funding and finance

The biggest question I hear is "how are we going to pay for all this, especially during difficult economic times?"

Nearly every large-scale infrastructure project—including our own interstate highway system as well as HSR systems across the globe—has gone through periods of uncertainty pertaining to long-term financing.[17] The important thing to recognize is that this project has realistic, achievable interim stages that allow for flexibility and innovation as the project is implemented, and the first stage is fully-funded. We do not need, and cannot expect, a multi-decade, set-in-concrete financial plan for Full Phase 1. What is needed at this stage is continued focus on a financial plan that bridges the gap between the initial work and the first stage of operations.

---

[13] Bay Area Toll Authority. *San Francisco Bay Area Toll Bridge Seismic Retrofit and Regional Measure 1 Programs: Project Progress and Financial Update, February 2011.* http://bata.mtc.ca.gov/pdfs/monthly/February2011.pdf

[14] Los Angeles County Metropolitan Transportation Authority. *I-405 Sepulveda Pass Improvements Project: Project Benefits Fact Sheet.* http://www.metro.net/projects_studies/I405/images/I405-Project-Benefits-Fact-Sheet.pdf

[15] Caltrans. *North County Corridor Frequently Asked Questions.* http://www.dot.ca.gov/dist10/environmental/projects/ncc99to120/faq.html

[16] Los Angeles World Airports. *LA Next: Fun Facts About Modernizing LAX.* http://www.lawa.org/uploadedFiles/LAXDev/News_for_LAXDev/LANEXT%20Fun%20facts.pdf

[17] E.g. France, Germany, Spain, South Korea, and Japan all expanded their systems in a phased approach according to funding availability; the U.S. Interstate Highway system was jeopardized by major funding shortfalls in 1961, just a few years after the program began.

The Authority's Business Plan includes a mixture of secured and potential funding sources, including state bonds, operating profits from early segments, and federal grants, loans, and other finance tools. The private sector will also play a critical role in financing, building, and operating this system. However, given that there are no 220mph HSR corridors operating in the U.S. today, it is unrealistic to expect substantial private sector contributions until the project has advanced beyond initial construction. While some private investment is expected in early phases, once the initial segment is operating and generating a positive cash flow, the environment for attracting private capital will improve.

Skeptics have criticized the Authority's assumption that the federal government will play a major funding role in this project. To give a better sense of the scope of funding that the current draft business plan relies upon, in reality:

- The Authority's Draft 2012 Business Plan assumes no further federal grants until at least 2015.
- The level of unsecured federal grants assumed in the financial plan is not implausible. For the Initial Operating Segment and Bay-to-Basin phases, the plan assumes an average of about $1.42 billion per year (YOE) in federal grants from 2015-2026.[18]

While that level of support is certainly substantial, it is illustrative to think about it as compared to the total project cost and the other major infrastructure expenditures discussed above. A difficult economy is not an excuse to avoid or defer investments in our national infrastructure. Indeed, past generations of Americans built the infrastructure we rely on today during tough economic climates—the Hoover Dam, portions of California's water system, and the Brooklyn Bridge were all built in times of economic stress, and positioned the nation for success as we pulled out of those difficult periods.

Ridership and public benefits

Ridership levels are the key driver of public benefits, and thus FRA has analyzed the new ridership projections in the Draft 2012 Business Plan. We believe the new estimates make appropriately-conservative assumptions.

To develop the new ridership forecasts, CHSRA commissioned an independent Peer Review Panel composed of international experts in travel forecasting, who were responsible for reviewing methodologies and ensuring the model's functionality for business planning purposes. A number of adjustments to the previous approach were made by the Panel, which resulted in new forecasts that are more conservative than the previous figures. These new forecasts, in the range of 30 to 44 million annual passengers upon completion of Phase 1, are on the low side of the ridership experience on comparable international corridors (due to California's different population density, travel behaviors, and other factors):

---

[18] Assuming private sector contributions beginning in 2023 and the availability of a tax credit or similar program.

Table 3
HSR Ridership and Population Served

Corridor	Annual Ridership	Population Served	Ridership / Population Served
Los Angeles-San Francisco (Full Phase 1, 2035)	30,000,000	32,000,000	0.94
Taiwan (Taipei-Zuoying)	37,000,000	20,000,000	1.85
Tokyo-Osaka	151,300,000	75,000,000	2.01
France (TGV high-speed network)	98,000,000	25,000,000	3.92

As another point of comparison, Amtrak's "Next-Generation" plan for the Northeast Corridor (NEC) projects ridership between 38 and 52 million by 2050, after implementation of 220mph service comparable to that planned for California.

Some critics compare California's ridership projections to the 3.4 million people who currently use the NEC's Acela high-speed service, and suggest that this difference indicates California's estimates are inflated. This argument ignores several key facts, however:

- The Acela service is severely capacity-constrained—we simply cannot add enough seats to the trainsets or slots at Acela-served stations to accommodate the high demand (which is why an Acela ticket is relatively costly and trains are routinely sold-out).
- The Acela is not the only train running on the NEC—an additional 7.5 million people use the NEC's "regular" intercity service and 246 million riders use commuter services that operate over portions of the corridor (both of which are also capacity-constrained).
- The NEC faces a serious state-of-good repair (SGR) backlog than further hinders service quality and availability.[19]

Given that the California HSR system will also serve some commuter markets, will have lower ticket prices than the Acela, and will not have the same capacity or SGR constraints as the current Northeast Corridor, it is more appropriate to compare California's projections to HSR systems in other nations.

Even with higher capital costs and lower ridership projections, the project still has a strong business case. The Authority estimates that in the Bay-to-Basin stage, the benefit-cost ratio will be between 1.46 and 1.66; for Phase 1, between 1.57 and 1.78. FRA's internal analysis, which used the new, lower ridership figures, also shows robust benefits for the project (see Table 1.) Additionally, revenue projections based on these ridership estimates show the project generating an operating profit during each stage of service, beginning with the Initial Operating Segment (and even if ridership comes in at only 30 percent of projections in year five, the project *still* breaks even).

---

[19] Amtrak, "Northeast Corridor State of Good Repair Spend Plan – PRIIA Section 211", April 15, 2009. http://www.amtrak.com/servlet/BlobServer?blobcol=urldata&blobtable=MungoBlobs&blobkey=id&blobwhere=1249200493941&blobheader=application%2Fpdf&blobheadername1=Content-disposition&blobheadervalue1=attachment;filename=Amtrak_NEC_StateOfGoodRepair_PRIIA.pdf

How do we move forward?

We have four immediate next steps:

- *Monitoring and oversight*: FRA's primary role is to ensure that the federal High-Speed Intercity Passenger Rail program grants result in projects delivered on-time and on-budget. We have a comprehensive grants monitoring plan in place, and are incorporating a strategy to use contractors for additional oversight and technical assistance, similar to the approach used by other DOT agencies.

- *Environmental studies*: Program-level environmental clearance was obtained in 2005, 2008, and 2010 for the HSR system. In fall 2011, FRA and the Authority issued Draft Environmental Impact Statements (EIS)/Environmental Impact Reports (EIR) for the Merced-Fresno and Fresno-Bakersfield segments. FRA is currently targeting spring 2012 for a record of decision (ROD) on the Merced-Fresno segment and the release of a Revised EIR/Supplemental EIS for the Fresno-Bakersfield segment. A ROD for the latter segment is targeted for late 2012.

- *Finalization of the 2012 Business Plan and strategy for reaching the next phase*: The Draft 2012 Business Plan was released in November 2011, and is currently going through a 60-day public comment period. The Authority will finalize the 2012 Business Plan in January.

- *Initial construction*: Construction is scheduled to begin in the Fresno area in late 2012. CHSRA will be utilizing a design/build project delivery approach to construction and contracting. In mid-November, the Authority issued an RFQ for the first $1.5 - 2 billion design/build construction contract.

Longer-term, there are a variety of efforts that will be ongoing in the years ahead. These include refining the delivery model and financing plan for future stages; negotiating with key stakeholders to define operating and engineering strategies for the Phase 1 Blended stage; and continuing environmental studies and analyses, as well as important outreach activities with affected communities, landowners, and other stakeholders.

Conclusion

In closing Mr. Chairman, the Administration agrees with the people of California that high-speed rail is vital to California's future. The business and public investment case for this project, even under the new cost projections, is strong. While this does not mean we ignore important questions related to phasing, costs, financing, or public benefits, it does mean that we must continue to work with Congress and other stakeholders to develop creative and cost-effective approaches for moving forward. Secretary LaHood and I look forward to working with you to make this historic project another in a long line of proud examples of America's ingenuity and innovation. I would be happy to address any questions the Committee might have.

#

House Transportation & Infrastructure Committee
12/15/11 Hearing on California High-Speed Rail
Questions for the Record

Questions from the House Transportation & Infrastructure Committee

1. *QUESTION: You explained at the December 15, 2011 hearing that a delay in the construction of the IOS would allow Amtrak's San Joaquin service to be routed over the ICS infrastructure. Please detail the effects on ridership of this switch in alignment, especially considering it would shut down two stations in Kings County.*
    - *Has Amtrak committed to using the ICS for its San Joaquin service, in the event that the completion of the IOS is delayed?*
    - *Could you please detail Amtrak's plans for using the ICS for its San Joaquin service and any agreements in place for the use of the ICS by Amtrak's San Joaquin service.*

    RESPONSE: The California Department of Transportation (Caltrans) and California High Speed Rail Authority (Authority) are working cooperatively on plans for interim use of the ICS for San Joaquin service. Caltrans is developing a passenger rail ridership model as part of ongoing efforts to update California's State Rail Plan. Caltrans, in coordination with the Authority, will estimate the ridership impacts of potential interim service changes to the *San Joaquin* corridor using the ICS. Regarding a shift in service to new stations, including one in Kings County, it is expected that the current utilization and travel demand for train service would be considered and appropriate connecting transportation services provided to meet identified needs.

    The *San Joaquin* service is a financially state-supported corridor, and thus the State of California has ultimate discretion regarding the corridor's service characteristics (such as alignment and station locations). While the state maintains sole authority to direct these service changes, Amtrak has expressed support for using the ICS infrastructure for the *San Joaquin* service, should this interim scenario be necessary, in a letter to the Authority dated October 8, 2010 (see Attachment A).

2. *QUESTION: The LAO's May 2011 Report states that "In November 2010, the FRA announced that it will require all federal funds for construction awarded to the state as of that time be spent on a segment of the rail line planned for the state's Central Valley." Please provide a copy or summary of this announcement.*
    - *The LAO went on to recommend the State seek from FRA the ability to choose for itself where to begin construction. Please explain why FRA is requiring federal funds to be used on the Central Valley ICS first.*

RESPONSE: On October 28, 2010, FRA announced HSIPR award recipients for the $2.5 billion made available under the Consolidated Appropriations Act, 2010 (Pub. L. 11-117, Dec. 16, 2009). Through a highly-competitive, merit-based review process, two grant applications submitted by the Authority were among those selected for funding. These two applications were for the Merced-Fresno and Fresno-Bakersfield segments of the California High-Speed Train system. The announcement for this and other program selections is available at: http://www.fra.dot.gov/Pages/press-releases/227.shtml.

FRA selected these two Central Valley segment applications based on the evaluation and selection criteria, expenditure deadlines, and other requirements established by Congress in the Passenger Rail Improvement and Investment Act (PRIIA), the American Recovery and Reinvestment Act (ARRA), and the fiscal year (FY) 2010 appropriations act, which were further detailed in the program's guidance materials and Notices of Funding Availability (NOFAs). The two Central Valley applications—which, again, were submitted by the Authority as options for consideration—were judged by expert review panels to have best met these criteria. (See Attachments B and C for letters from DOT officials reaffirming the federal commitment to these selections).

3. *QUESTION: At the December 15, 2011 hearing a request was made for the cooperative agreement between the Authority and FRA regarding the California high-speed rail project. Please provide a copy of any cooperative/grant agreement the FRA has with the Authority and/or the State regarding the California high-speed rail project.*
    - *Please explain and identify what would happen under those agreements to the federal funding obligated thus far if the State bond funds are not appropriated for construction of the ICS.*
    - *Will the federal funds identified in those agreements be able to be spent if no state funds are available?*

RESPONSE: All cooperative agreements between FRA and the Authority regarding the California High-Speed Train project can be found at: http://www.cahighspeedrail.ca.gov/funding.aspx. A cooperative agreement is a legally-binding contract, and as such, all grantees are expected to adhere to the terms and conditions, including the requirement to provide any non-federal match specifically identified in the agreement. The terms of the Cooperative Agreement gives FRA some latitude to work with grantees on a case-by-case basis should a need arise to amend these agreements, and provides FRA some flexibility should a grantee be in violation of any of the terms and conditions including the ability of FRA to terminate the agreement.

4. *QUESTION: At the Committee's hearing on December 6, 2001, Secretary LaHood said "We're in the Central Valley, we made a commitment there ... until someone tells us differently ...that's where we are going to be." If the Authority wanted to move initial construction to one of the bookends, as suggested by LAO and the Peer Review Group, would FRA allow the Authority to do so?*

   RESPONSE: It is not possible. As described in the response to Question #2, the Authority submitted applications for four segments of the high-speed train project, and based on the information submitted with the application, FRA selected the two which best met the program's evaluation criteria and legislative requirements. The decision to begin the project in the Central Valley was and remains the correct one, based on careful consideration of the options put forward by California through a competitive application process.

5. *QUESTION: Where does the FRA propose that the federal government find the grant funding of $52 billion or more necessary to complete Phase I of this project, especially given that the HSIPR Program has not received appropriations in two years and actually lost $400 million in a rescission?*

   RESPONSE: FRA's FY 2012 budget proposal detailed a $53 billion six-year strategy for significantly improving the nation's passenger rail system. Of this amount, $38 billion would be devoted to network development activities, for which the California high-speed train system would be an eligible recipient. The Administration believes that such a strategy is vital to meeting the mobility needs of a growing nation faced with increasingly congested highways and airports.

   The Authority's Draft 2012 Business Plan does not require $52 billion in federal *grant* funding. The federal funding for this project could come in the form of tax credits, loans, or other mechanisms in addition to grants, which could be used to leverage other public and private sources of capital. Additionally, the 2012 Business Plan sets out a realistic phasing strategy – consistent with how comparable systems have been built around the world – that results in service connecting the Los Angeles and San Francisco metro areas by 2026. The Authority estimates that construction of this stage would require approximately $30 billion (in future dollars) in federal funding programs over a period of 12 years (2015-2026). Significantly, the project does not require any additional federal funding until at least 2015 to move forward with the Initial Construction Segment.

6. *QUESTION: You recognize that part of the cost increase is due to local input and environmental necessity. FRA and the Authority have not yet completed the ICS's environmental documentation much less the number of other documents for the other segments. So, is it not safe to assume that the further down the line you get with those documents these costs could increase even more for the very same reasons?*

   RESPONSE: The new cost estimates include changes stemming from local input and environmental factors throughout the entire corridor, not just on the Initial Construction Segment. While project-level environmental documents are not finalized, engineering and environmental work has been advanced for all segments of the Phase 1 corridor since the 2009 Business Plan. Due to this additional environmental and engineering work, the Authority has a much more refined understanding of the potential alternatives for each segment, the geological and technical characteristics of the various alternatives, and local community impacts and needs throughout the entire corridor.

   Additionally, the 2012 estimates include significant contingencies (both allocated to specific cost categories and unallocated across the project as a whole), and use conservative assumptions on unit costs, inflation, and other factors which ultimately may not be necessary for project construction.

7. *QUESTION: At the hearing on December 15, 2011, you stated that the LAO has not engaged FRA on the project reviews it has conducted and that it does not understand the project. Please set forth and provide copies of all attempts the FRA has made to communicate with or engage the LAO and all responses of the LAO to those communications.*
   - *In a letter to you dated December 20, 2011, Mac Taylor, California's Legislative Analyst, stated that "Since February 2010, [the Legislative Analyst's Office has] had numerous helpful discussions with [FRA] staff." How do you reconcile that statement with your claim at the December 15, 2011 hearing that the LAO has not engaged FRA?*

   RESPONSE: Response submitted to the Committee on January 23, 2012.

8. *QUESTION: Please submit for the record, as requested at the December 15, 2011 hearing, the FRA's response to the December 3, 2010 FOIA request regarding the selection of the West Chowchilla Design Option.*

   RESPONSE: Please see Attachment D.

ATTACHMENTS

Attachment A.
Letter from Amtrak to the California High-Speed Rail Authority (October 8, 2010)

Attachment B.
Letter from former U.S. DOT Undersecretary of Policy Roy Kienitz to the California High-Speed Rail Authority (May 25, 2011)

Attachment C.
Letter from U.S. DOT Deputy Secretary John Porcari to the California High-Speed Rail Authority (January 3, 2012)

Attachment D.
FRA Response to West Chowchilla Design Option FOIA Request (February 10, 2012)

NATIONAL RAILROAD PASSENGER CORPORATION
530 Water Street, Oakland, CA 94607

AMTRAK

October 8, 2010

Via e-mail: rvanark@hsr.ca.gov

Roelof van Ark
Chief Executive Office
California High Speed Rail Authority
925 L Street, Suite 1425
Sacramento, CA 95814

Dear Mr. van Ark:

This letter is regarding the development of a dedicated high speed passenger route between Fresno and Bakersfield California as proposed by the California High Speed Rail Authority (Authority) in its August 2010 application for High Speed Intercity Passenger Rail (HSIPR) Program funds. Amtrak is pleased to offer its support for this project and would be supportive of operating our *San Joaquin* intercity passenger rail service as an interim use over this new route once constructed, assuming any cost increases for operating this service have been addressed.

Amtrak recognizes that the primary purpose of the HSIPR grant application is to complete the final design and construct the proposed trackage and related facilities between Fresno and Bakersfield as one of four possible initial segments of the planned 800-mile statewide high speed train system. Operating the *San Joaquin* trains over this new route at higher speeds on an interim basis while other segments of your proposed system are developed to allow for full high-speed train service would benefit the public and our riders by greatly improving travel times, reliability and passenger comfort.

If this project is selected for HSIPR funds we will work closely with your agency and the Caltrans Division of Rail to address any details that will need to be discussed. For example, while the present fleets of rail cars for this corridor are already certified for 125 mph operations, Amtrak and Caltrans do not currently have diesel electric locomotives that could operate at 125 mph. We assume that this could be addressed in future State of California equipment acquisitions, but will need to work through issues such as this if the project moves forward.

Thank you for the opportunity to review and discuss your agency's plan for constructing dedicated high speed passenger tracks in the San Joaquin Valley. We look forward to continuing our cooperative work in California with the Authority.

Sincerely,

Patrick Merrill

Patrick Merrill
Assistant Vice President, Policy & Development

cc: William Bronte, Caltrans Rail Division

U.S. Department of Transportation
Office of the Secretary of Transportation

Under Secretary for Policy

1200 New Jersey Avenue, S.E.
Washington, DC 20590

May 25, 2011

Mr. Roelof van Ark
Chief Executive Officer
California High Speed Rail Authority
770 L Street, Suite 800
Sacramento, CA 95814

Dear Mr. van Ark:

It was a pleasure to meet with you last week while I was in Sacramento. As we discussed, the California Legislative Analyst's Office report released on May 10, 2011 suggested that you inquire of the U.S. Department of Transportation (U.S. DOT) with regard to the expenditure deadline for funds awarded to the California high-speed rail project, the ability to use federal funds as upfront funding, as well as the decisions that have been memorialized in agreements between the Federal Railroad Administration (FRA) and the Authority regarding the initial construction segment in the Central Valley.

As to the expenditure deadline, you should know this is a matter of law prescribed by both the Recovery Act and general appropriations law. Most Recovery Act funds provided by U.S. DOT to its state and local partners had a period of availability not to exceed Fiscal Year (FY) 2010. Fortunately, Congress recognized the unique, start-up nature of high-speed rail projects in this country and granted these funds a period of availability period through 2012, which together with 5 additional fiscal years for adjustment and liquidation (pursuant to 31 U.S.C §§ 1552 and 1553) creates the 2017 final deadline for expenditures.

This was one of the most lenient deadline for transportation funding in the Recovery Act, which was primarily designed to stimulate the economy in the short term during one of the country's most challenging economic times. We believe the time allowed is more than reasonable, and that deadlines are necessary to ensure that Recovery Act funds are used with all due speed. U.S. DOT has no administrative authority to change this deadline, and do not believe it is prudent to assume Congress will change it. We recommend that policy makers in California proceed on the basis that this deadline will remain fixed and make every effort to move the project forward accordingly.

On the matter of using federal funds up front to postpone use of the State's matching funds, we hope you will understand why this is not feasible. Both the fiscal year 2010 appropriations law and the FRA grant commitments require matching funds as a prerequisite for this project to go forward. California was awarded funding based in part on the impressive state match promised in the grant applications. Withholding these matching funds would put the California's high-speed rail project in serious jeopardy.

On the matter of the initial construction segment, we view the Central Valley as a logical place to begin building the core line to connect the San Francisco Bay Area with the Los Angeles Basin. We believe the decision to begin there was and remains a wise one. This selection was based on careful consideration of the options put forward by California through a competitive application process. First and foremost, construction can begin and be completed in the Central Valley more quickly than in other places. With this central piece built, more complex construction can extend north, south or simultaneously in both directions as additional sections of the project are ready to be built.

When construction of the Interstate Highway System began, the first segments to be completed were not in major population centers. The interstate began in the middle of the country, with the very first sections laid in Kansas and Missouri, allowing this core to extend to more populated areas and over more challenging terrain as the system grew. The Central Valley line is the essential core of any viable high-speed rail plan for California. It will support top speeds of 220 mph and will deliver jobs and future access to a part of the state that could use a serious economic boost. Once major construction is underway and approvals to complete other sections of the line have been obtained, the private sector will have compelling reasons to invest in further construction.

Sincerely,

Roy Kienitz
Under Secretary for Policy
U.S. Department of Transportation

THE DEPUTY SECRETARY OF TRANSPORTATION
WASHINGTON DC 20590

January 3, 2011

Mr. Roelof van Ark
Chief Executive Officer
California High-Speed Rail Authority
770 L Street, Suite 800
Sacramento, CA 95814

Dear Mr. van Ark:

At the December 15, 2011, hearing about the California High Speed Rail Plan, there were questions whether Federal funds awarded to the California High Speed Rail Authority (CHSRA) for the initial construction segment of the project in the Central Valley could be re-allocated to other projects in Southern California or the San Francisco Bay Area. While this matter was addressed by Federal Railroad Administrator Joseph Szabo in his December 15, 2011, written and oral testimony, we wish to further clarify the U.S. Department of Transportation's position.

As our Under Secretary for Policy stated in his letter to you dated May 25, 2011, the decision to begin the project in the Central Valley was and remains the correct one, based on careful consideration of the options put forward by California through a competitive application process. Because of the advanced stage of the environmental review process and preliminary design, construction can begin and be completed in the Central Valley more quickly than in the more densely populated urban areas of Southern California or the Bay Area, and, importantly, within the statutory timeframe for High-Speed and Intercity Passenger Rail American Recovery and Reinvestment Act funding to be expended by the end of Fiscal Year 2017. The land-use patterns and flat terrain found in the Central Valley also allow for lower acquisition costs, less complex system designs, and higher prospective speeds.

The population of the Central Valley is expected to more than double in size by 2050, from 6.1 million to 13.2 million people, making the region more populous than Illinois, Pennsylvania, or Ohio. The California high speed rail (HSR) system will help to deal with the surge in intercity travel demand created by the projected population growth in the Central Valley, as well as provide relief from some of the worst air pollution in the Nation.

With this project, CHSRA has the opportunity to demonstrate America's capacity to design, build, and operate a world-class HSR service through the Central Valley. The segment through the Central Valley will demonstrate the American rail industry's technological and operational capabilities.

Beginning the project in the Central Valley will provide the core north-south infrastructure for California's HSR system, allowing the next segments (either north to the Bay Area or south to the Los Angeles Basin) to be selected for further development based on important factors such as project readiness and funding availability.

For all these reasons, including that no other project could satisfy the statutory deadline, the Federal Railroad Administration cannot re-allocate the Recovery Act and Fiscal Year 2010 funds committed to the Central Valley Project to other projects in California.

We welcome CHSRA's new approach in your draft 2012 Business Plan to move first to a "blended system" that would provide for incremental investments in existing rail infrastructure in the Los Angeles Basin and San Francisco Bay Area. We look forward to working with CHSRA and the regional rail authorities to explore other sources of State, Federal, and private funding to support those investments in the near term.

Sincerely,

John D. Porcari

U.S. Department
of Transportation
**Federal Railroad
Administration**

1200 New Jersey Ave, SE
Washington, DC 20590

February 10, 2012

Mr. Douglas Welch
General Manager
Chowchilla Water District
327 S. Chowchilla Boulevard
Chowchilla, CA 93610

Re: FRA FOIA File No. 11-063

Dear Mr. Welch:

This letter is in response to your Freedom of Information Act (FOIA) request to the Federal Railroad Administration (FRA) for copies of all documents, communications, and correspondences transmitted between FRA and the California High Speed Rail Authority (Authority) addressing or relating to the route alternatives under consideration for the proposed California High Speed Rail within Madera County and Merced County, California.

First, please accept my apology for the delay in providing you with the requested documents. However, the search for responsive records confirmed that the majority of responsive documents were made publically available shortly after your FOIA request was received. These documents include:

1. Alternatives Analysis Appendix B Engineering Drawings - Available online on the Authority's website (http://www.cahighspeedrail.ca.gov/lib_Merced_Fresno.aspx).
2. Preliminary Alternatives Analysis Report Merced to Fresno Section High Speed Train Project April 2010 - Available online on the Authority's website (http://www.cahighspeedrail.ca.gov/lib_Merced_Fresno.aspx).
3. Checkpoint B Transmittal Memo - Available online on Authority's website (http://www.cahighspeedrail.ca.gov/draft-eir-m-f.aspx).
4. Checkpoint B Attachment 1, Environmental Protection Agency Concurrence Letter, April 30, 2008 - Available online on Authority's website (http://www.cahighspeedrail.ca.gov/draft-eir-m-f.aspx).
5. Checkpoint B Attachment 1-2, US Army Corps of Engineers Concurrence Letter, May 8, 2008 - Available online on Authority's website (http://www.cahighspeedrail.ca.gov/draft-eir-m-f.aspx).
6. Checkpoint B Attachment 2, Annotated Slides - Available online on Authority's website (http://www.cahighspeedrail.ca.gov/draft-eir-m-f.aspx).
7. Checkpoint B Attachment 3, NEPA/404 Checkpoint B Presentation - Available online on Authority's website (http://www.cahighspeedrail.ca.gov/draft-eir-m-f.aspx).
8. Checkpoint B Attachment 3-1, Aquatic Resources - Available online on Authority's website (http://www.cahighspeedrail.ca.gov/draft-eir-m-f.aspx).
9. Checkpoint B Attachment 3-2, Figure 1 - Available online on Authority's website (http://www.cahighspeedrail.ca.gov/draft-eir-m-f.aspx).

10. Checkpoint B Attachment 3-3, Figure 1 - Available online on Authority's website (http://www.cahighspeedrail.ca.gov/draft-eir-m-f.aspx).
11. Checkpoint B Attachment 3-6, Figures and Tables - Available online on Authority's website (http://www.cahighspeedrail.ca.gov/draft-eir-m-f.aspx).
12. Checkpoint B Summary Attachment 3 Figure 1, Study Area Maps - Available online on Authority's website (http://www.cahighspeedrail.ca.gov/draft-eir-m-f.aspx).
13. Checkpoint B Attachment 4, 404B1 Table - Available online on Authority's website (http://www.cahighspeedrail.ca.gov/draft-eir-m-f.aspx).
14. Checkpoint B Summary Report - Available online on Authority's website (http://www.cahighspeedrail.ca.gov/draft-eir-m-f.aspx).
15. Checkpoint B Supplemental Alternatives Analysis Report - Available online on Authority's website (http://www.cahighspeedrail.ca.gov/draft-eir-m-f.aspx).

In addition to the publically available documents, in accordance with the FOIA and after consultation with federal and state agencies having an interest in the record(s) subject to release, I am enclosing the following related documents:

1. Email from Mr. Jeff Abercrombie to Ms. Melissa Dumond (with attachments), dated April 01, 2011.
2. Email from Mr. Gary Kennerly (consultant to the Authority) to Mr. David Valenstein, dated April 25, 2011.
3. Email from Mr. Bryan Porter (consultant to the Authority) to Ms. Melissa Dumond, dated May 11, 2011.
4. Email from Mr. Bryan Porter (consultant to the Authority) to representatives of the Authority and Ms. Melissa Dumond, dated May 11, 2011.
5. Email chain between Mr. Bryan Porter (consultant to the Authority) and representatives of the US. Environmental Protection Agency (EPA), the US Army Corps of Engineers (USACE), and FRA, dated May 17, 2011.
6. Email chain between Mr. Bryan Porter (consultant to the Authority) and the FRA, US EPA and USACE, dated May 18, 2011.
7. Email from Mr. Farid Nobari (consultant to the Authority) to Mr. David Valenstein, dated May 19, 2011.
8. Email from Mr. Bryan Porter (consultant to the Authority) to representatives of FRA, USACE, and EPA, dated June 15, 2011.

A draft report report (Technical Memorandum High Speed Train Project Merced to Fresno Section SR 152 Wye Design Option) prepared by the Authority's consultants and submitted to FRA consisting of seven pages is being withheld in its entirety pursuant to 5 U.S.C. 552 (b)(5). Exemption 5 protects "inter-agency or intra-agency memorandums or letters which would not be available by law to a part other than an agency in litigation with the agency." Specifically, this draft report is covered by the deliberative process privilege in that it involves inter-agency communications, is predecisional (i.e. antecedent to the adoption of any agency policy), and is deliberative (i.e. a direct part of the deliberative process in that it makes recommendations or expresses opinions on legal or policy matters). The record is a draft report produced by the Authority and pursuant to 49 CFR § 7.16 FRA consulted with the Authority prior to making a decision on the report's release. As a result of this consultation FRA determined to withhold the entire document based on the deliberative process privilege. This decision was made because the record is predecisional, deliberative, and FRA finds that releasing this report would cause direct harm to FRA. Specifically, releasing the Authority's work product has the potential to create a chilling effect on future communications between the Authority and FRA, thus inhibiting FRA's ability to successfully complete the environmental review process and implement the project, which is partially funded by an FRA grant. A search has indicated that the FRA's files do not contain a copy of the final report.

I am responsible for the decision to withhold this draft report. You may appeal my decision to the Administrator, Federal Railroad Administration, 1200 New Jersey Ave, S.E., Washington, D.C. 20590. According to the Department's FOIA regulations, 49 C.F.R. Part 7, your appeal must be submitted in writing within thirty days after your receipt of this letter, it must indicate that it is an appeal under FOIA, it must include all arguments and information upon which you rely, and the envelope in which the appeal is sent must be prominently marked "FOIA Appeal."

No fee has been assessed for the documents in light of the delay involved in responding to your request.

Since FRA has no other records in its possession that are responsive to your request, I am closing your file in this office. If you have any questions regarding the processing of your request, please contact FRA's FOIA Officer, Denise Kollehlon at 202-493-6039.

Sincerely,

William R. Fashouer
Assistant Chief Counsel

Enclosures

Van Nostrand, Christopher (FRA)

From:	Valenstein, David (FRA)
Sent:	Monday, April 25, 2011 3:31 PM
To:	DuMond, Melissa (FRA); Munoz-Raskin, Ramon (FRA)
Subject:	FW: Supplemental AA for your review / edits by April 25 please
Attachments:	SR152 Wye Nov-04-2010-rev a.pdf

Ramon and Melissa,

I saved the document SR152 Wye Nov-04-2010-rev a.pdf at R:\FRA_RDV\RDV_10\Environment\Project_Documentation\Passenger Rail Development\California\California HSR\Project Level\Merced-Fresno

David

From: Kennerley, Gary [[redacted]]
Sent: Monday, April 25, 2011 3:00 PM
To: Valenstein, David (FRA); Dave.Mansen[redacted]; dleavitt[redacted]; danae.aitchison[redacted]
Cc: Valentine, Peter; Popoff, John; CAHSR-PM@projectsolvemail.com
Subject: RE: Supplemental AA for your review / edits by April 25 please

David,

Thank you for your review. To answer your question, an Avenue 21 hybrid was not developed as it would add 3 miles to the HST system with associated environmental impacts (biological, agricultural and property) without any perceived benefits. The Merced Fresno team did prepare a draft technical memorandum evaluating a SR 152 hybrid (at-grade and elevated) that concluded the more southerly Wye would have more adverse impacts compared to benefits, see attached file. The assessment of an Avenue 21 hybrid Wye was that it would have even greater adverse impacts due to the increased route length as noted above.

We did not include a discussion about the various hybrid Wyes in the SAA as we felt it would confuse rather than inform the public. Please let us know if you feel that the wye discussion should be added.

Thank you,

gary kennerley

t: [redacted]
m: [redacted]
f: [redacted]

Please consider the environment before printing this email.

From: david.valenstein[redacted] [mailto:[redacted]]
Sent: Monday, April 25, 2011 6:24 AM
To: Dave.Mansen[redacted]; dleavitt[redacted] danae.aitchison[redacted]; Kennerley, Gary
Subject: RE: Supplemental AA for your review / edits by April 25 please

The Supplemental AA look great. I have only one question. Why is there no Avenue 21 hybrid alignment? Thanks, David

From: Mansen, Dave [mailto:Dave.Mansen[redacted]]
Sent: Friday, April 15, 2011 12:09 PM
To: Dan Leavitt; Danae Aitchsion; Valenstein, David (FRA); Kennerley, Gary
Cc: Duran, Juan; Nicholas, Karla; Wemmer, David; Michael Kiesling; Freytag, David; Tony DeJulio; Ben Strumwasser;

Eileen Goodwin; francisco[redacted]; Pazdan, Arthur
Subject: Supplemtnal AA for your review / edits by April 25 please

Parsons and the PMT have a practice session on April 27th for the Board presentation. I would appreciate your comments / edits by April 25 (at the latest) so we can make sure they are included in the presentation.

Thanks so much. Regards,

Dave Mansen
Parsons
50 Fremont Street, Suite 1500
San Francisco, CA 94105
[redacted], [redacted](fax), [redacted](mobile)

From: Mansen, Dave
Sent: Wednesday, April 13, 2011 8:48 PM
To: Dan Leavitt; Danae Aitchsion; david.valenstein[redacted] 'Kennerley, Gary'
Cc: Duran, Juan; Nicholas, Karla; Wemmer, David; Michael Kiesling; 'Freytag, David'; 'Tony DeJulio'; Ben Strumwasser; Eileen Goodwin; francisco[redacted] Pazdan, Arthur
Subject: Supplemtnal AA for your review / edit

Dan / Danae / David / Gary – a Working Draft of the Supplemental Alternatives Analysis has been uploaded to ProjectSolve for your review and comments at:

https://ww3.projectsolve2.com/eRoom/SFOF/CHSTP-MercedtoSanJoseSection/0_b371f

The intent is to provide this Supplemental AA at the May Board meeting on May 5th. I am developing a presentation for the Board meeting next. Your comments / edits on the Supplemental AA would be deeply appreciated.

Regards,

Dave Mansen
Parsons
50 Fremont Street, Suite 1500
San Francisco, CA 94105
[redacted], [redacted](fax), [redacted](mobile)

NOTICE: This communication and any attachments ("this message") may contain confidential information for the sole use of the intended recipient(s). Any unauthorized use, disclosure, viewing, copying, alteration, dissemination or distribution of, or reliance on this message is strictly prohibited. If you have received this message in error, or you are not an authorized recipient, please notify the sender immediately by replying to this message, delete this message and all copies from your e-mail system and destroy any printed copies.

Van Nostrand, Christopher (FRA)

From:	Jeff Abercrombie [redacted]
Sent:	Friday, April 01, 2011 11:50 AM
To:	DuMond, Melissa (FRA)
Subject:	FW: M-F Straddle Bent Summary
Attachments:	straddle bent summary.pdf; straddle bent location maps.pdf
Categories:	Red Category

Jeff Abercrombie
Area Program Manager Central Valley
California High Speed Rail Authority
[redacted]

CONFIDENTIALITY NOTICE: This communication with its contents may contain confidential and/or legally privileged information. It is solely for the use of the intended recipient(s). Unauthorized interception, review, use or disclosure is prohibited and may violate applicable laws including the Electronic Communications Privacy Act. If you are not the intended recipient, please contact the sender and destroy all copies of the communication.

From: Jeff Abercrombie
Sent: Thursday, March 31, 2011 4:36 PM
To: Evelyn Escalera[redacted]
Subject: FW: M-F Straddle Bent Summary

These are 11X17 to print

Thank you

Jeff Abercrombie
Area Program Manager Central Valley
California High Speed Rail Authority
[redacted]

CONFIDENTIALITY NOTICE: This communication with its contents may contain confidential and/or legally privileged information. It is solely for the use of the intended recipient(s). Unauthorized interception, review, use or disclosure is prohibited and may violate applicable laws including the Electronic Communications Privacy Act. If you are not the intended recipient, please contact the sender and destroy all copies of the communication.

From: Wenzel, Richard [mailto:[redacted]]
Sent: Thursday, March 31, 2011 2:14 AM
To: Jeff Abercrombie
Subject: FW: M-F Straddle Bent Summary

Jeff,

I thought this packet the Teams put together was a good, comprehensive analysis of the Merced-Fresno straddle bents with excellent graphics. I hope it gave you all the information you needed.

Dick Wenzel

From: Cameron, Craig [mailto:[redacted]]
Sent: Wednesday, March 30, 2011 3:43 PM
To: Tracy, Thomas; Jeff Abercrombie
Cc: Popoff, John; Valentine, Peter; Wenzel, Richard; Siu, Wai-on; Bittancourt, Melisa; Koby, Ann; Porter, Bryan
Subject: M-F Straddle Bent Summary

Gentlemen,

Attached please find two documents that illustrate bent locations where the HST cross the UPRR R/W.

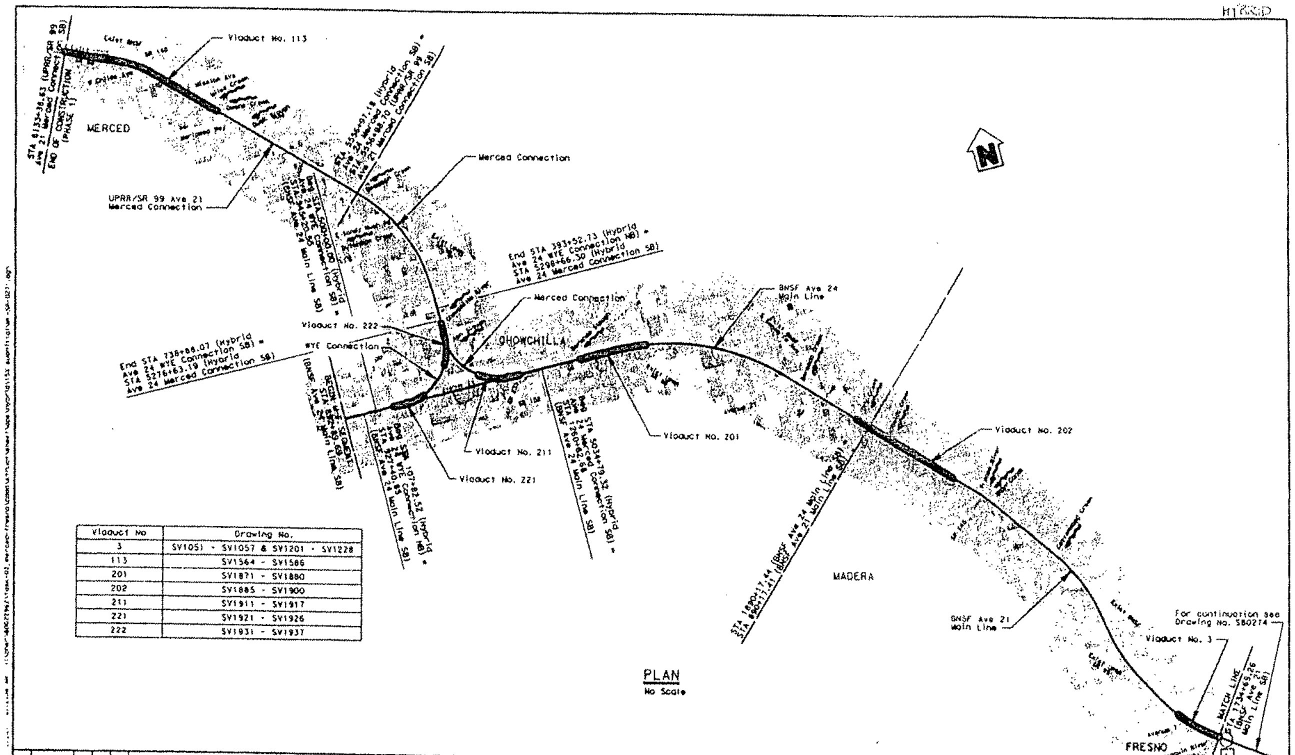
1. The summary document presents an inventory of straddle bent locations, lengths and further detail for each of our alternatives within the UPRR R/W
2. The location maps illustrate crossing locations for each of the alternatives.

Further plan sheet level detail is available upon request. Please let me know.

Thank you,

Craig Cameron, P.E. | Parsons Brinckerhoff
925 L Street, Suite 675 | Sacramento CA 95814
Office [redacted] | Cellular [redacted]

NOTICE: This communication and any attachments ("this message") may contain confidential information for the sole use of the intended recipient(s). Any unauthorized use, disclosure, viewing, copying, alteration, dissemination or distribution of, or reliance on this message is strictly prohibited. If you have received this message in error, or you are not an authorized recipient, please notify the sender immediately by replying to this message, delete this message and all copies from your e-mail system and destroy any printed copies.


STA 6133+38.63 (UPRR/SR 99 Ave 21 Merced Connect SB)
END OF CONSTRUCTION (PHASE 1)
MERCED
Viaduct No. 113
UPRR/SR 99 Ave 21 Merced Connection
STA 5556+97.18 (Hybrid Ave 24 Merced Connection SB) = STA 5556+88.70 (UPRR/SR 99 Ave 21 Merced Connection SB)
Beg STA 600+00.00 (Hybrid Ave 24 WYE Connection SB) = STA 345+20.56 (BNSF Ave 24 Main Line SB)
Merced Connection
End STA 393+52.73 (Hybrid Ave 24 WYE Connection NB) = STA 5298+66.30 (Hybrid Ave 24 Merced Connection SB)
Merced Connection
Viaduct No. 222
WYE Connection
End STA 738+88.07 (Hybrid Ave 24 WYE Connection SB) = STA 5276+63.19 (Hybrid Ave 24 Merced Connection SB)
CHOWCHILLA
BEGIN SEGMENT STA 592+89.69 (BNSF Ave 24 Main Line SB)
Beg STA 107+82.52 (Hybrid Ave 24 WYE Connection NB) = STA 327+40.85 (BNSF Ave 24 Main Line SB)
Viaduct No. 211
Viaduct No. 221
Beg STA 5034+79.32 (Hybrid Ave 24 Merced Connection SB) = STA 1260+82.68 (BNSF Ave 24 Main Line SB)
Viaduct No. 201
BNSF Ave 24 Main Line
STA 1890+17.44 (BNSF Ave 24 Main Line SB)
STA 890+17.41 (BNSF Ave 21 Main Line SB)
MADERA
Viaduct No. 202
BNSF Ave 21 Main Line
For continuation see Drawing No. SB0274
Viaduct No. 3
MATCH LINE STA 1734+69.26 (BNSF Ave 21 Main Line SB)
FRESNO
A
N
PLAN
No Scale

Viaduct No	Drawing No.
3	SV1051 - SV1057 & SV1201 - SV1228
113	SV1564 - SV1586
201	SV1871 - SV1880
202	SV1885 - SV1900
211	SV1911 - SV1917
221	SV1921 - SV1926
222	SV1931 - SV1937

T. Barnard
C. Lee
H. Lee
J. Boone
07/11/2011

RECORD SET
15% DESIGN
SUBMITTAL

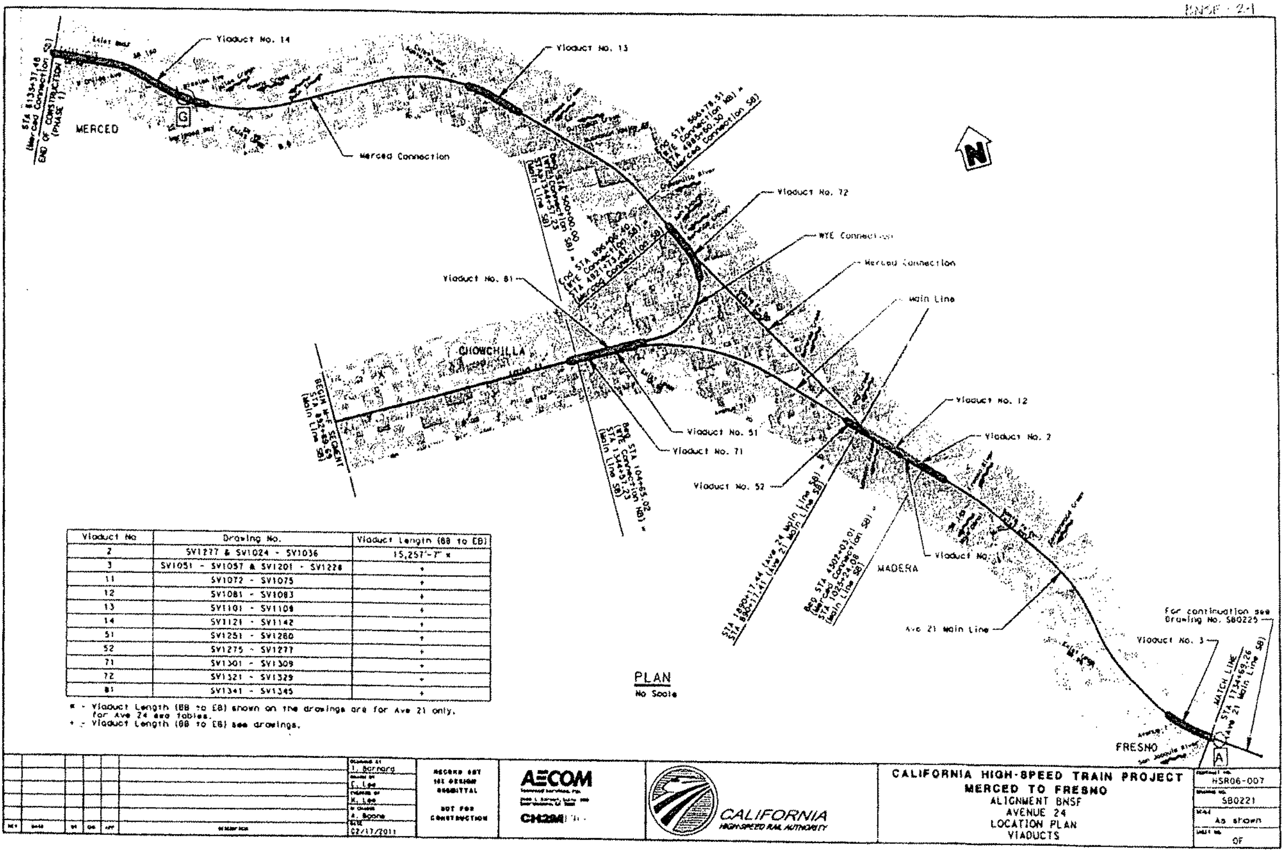
NOT FOR
CONSTRUCTION

AECOM
CH2M

CALIFORNIA
HIGH-SPEED RAIL AUTHORITY

CALIFORNIA HIGH-SPEED TRAIN PROJECT
MERCED TO FRESNO
ALIGNMENT HYBRID
AVENUE 24
LOCATION PLAN
VIADUCTS

HSR06-007
SB0271
As shown
OF


BNSF - 24
STA 8135+37.46 (Merced Connection SB)
END OF CONSTRUCTION (PHASE 1)
MERCED
G
Viaduct No. 14
Merced Connection
Viaduct No. 13
End STA 566+78.51 (WYE Connection NB) = STA 4985+50.30 (Merced Connection SB)
Beg STA 500+00.00 (WYE Connection SB) = STA 1344+57.23 (Main Line SB)
End STA 896+06.40 (WYE Connection SB) = STA 4821+73.41 (Merced Connection SB)
Viaduct No. 72
WYE Connection
Merced Connection
Main Line
Viaduct No. 81
CHOWCHILLA
BEGIN M-F SEGMENT STA 892+89.69 (Main Line SB)
Beg STA 104+65.02 (WYE Connection NB) = STA 1344+57.23 (Main Line SB)
Viaduct No. 51
Viaduct No. 71
Viaduct No. 52
Viaduct No. 12
Viaduct No. 2
STA 1890+17.44 (Ave 24 Main Line SB) = STA 890+17.41 (Ave 21 Main Line SB)
Beg STA 4302+03.01 (Merced Connection SB) = STA 1025+24.08 (Main Line SB)
MADERA
Viaduct No. 11
Ave 21 Main Line
For continuation see Drawing No. SB0225
Viaduct No. 3
MATCH LINE STA 1734+69.26 (Ave 21 Main Line SB)
FRESNO
A
N
PLAN
No Scale

Viaduct No	Drawing No.	Viaduct Length (BB to EB)
2	SV1277 & SV1024 - SV1036	15,257'-7" *
3	SV1051 - SV1057 & SV1201 - SV1228	+
11	SV1072 - SV1075	+
12	SV1081 - SV1083	+
13	SV1101 - SV1108	+
14	SV1121 - SV1142	+
51	SV1251 - SV1280	+
52	SV1275 - SV1277	+
71	SV1301 - SV1309	+
72	SV1321 - SV1329	+
81	SV1341 - SV1345	+

* - Viaduct Length (BB to EB) shown on the drawings are for Ave 21 only, for Ave 24 see tables.
+ - Viaduct Length (BB to EB) see drawings.

Designed by I. Barnard
Drawn by C. Lee
Checked by K. Lee
In charge A. Boone
Date 02/17/2011

RECORD SET
15% DESIGN
SUBMITTAL

NOT FOR
CONSTRUCTION

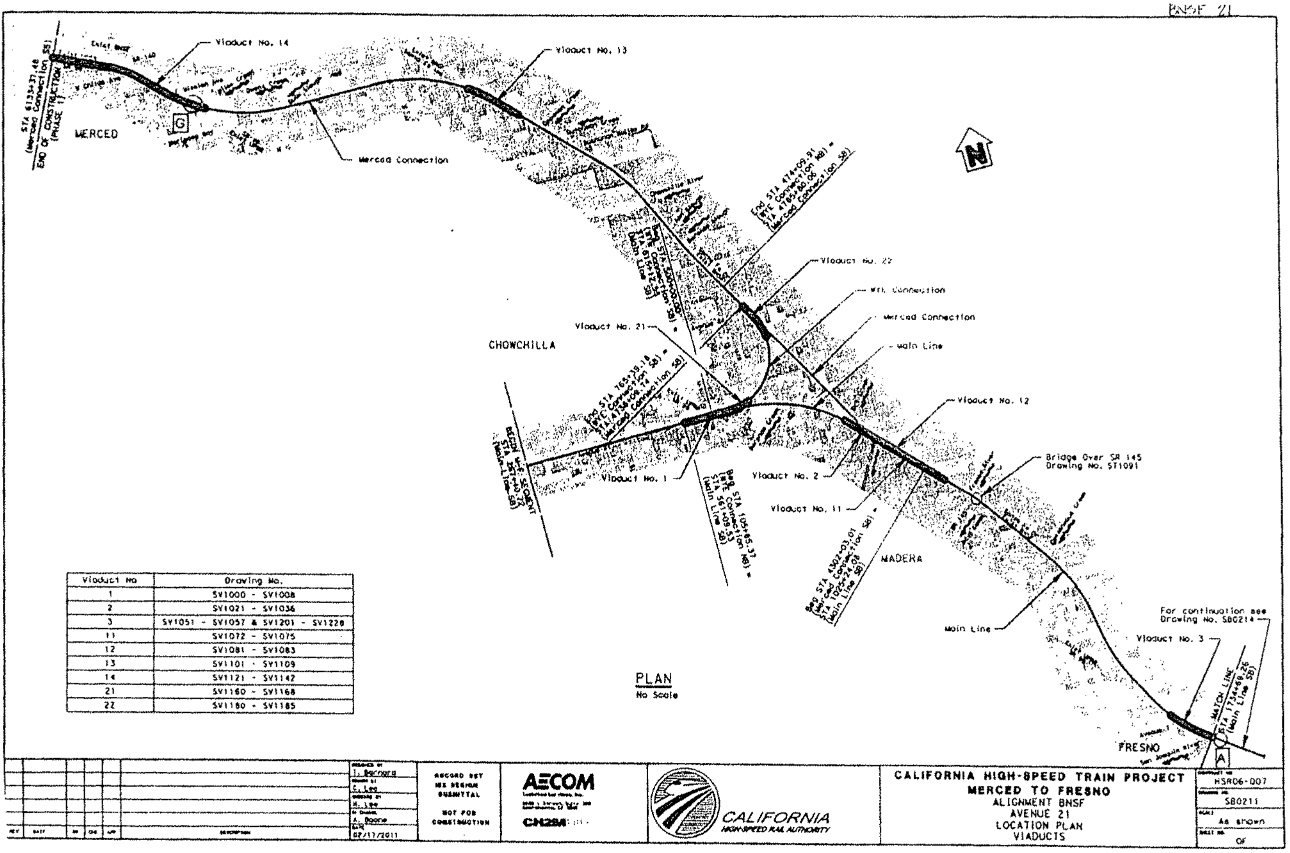
AECOM
CH2MHILL

CALIFORNIA
HIGH-SPEED RAIL AUTHORITY

CALIFORNIA HIGH-SPEED TRAIN PROJECT
MERCED TO FRESNO
ALIGNMENT BNSF
AVENUE 24
LOCATION PLAN
VIADUCTS

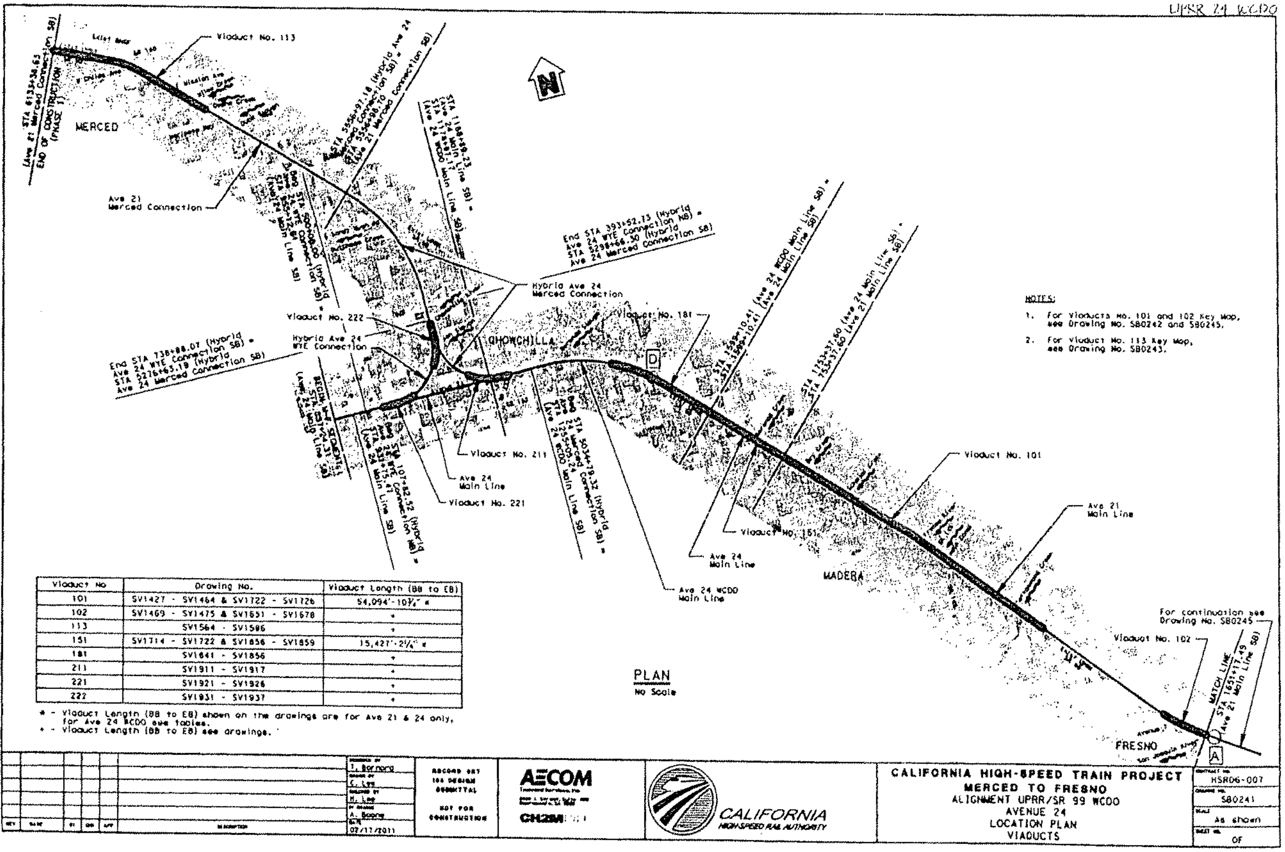
Contract No. HSR06-007
Drawing No. SB0221
Scale As shown
Sheet No. OF

BNSF 21



Viaduct No	Drawing No.
1	SV1000 - SV1008
2	SV1021 - SV1036
3	SV1051 - SV1057 & SV1201 - SV1228
11	SV1072 - SV1075
12	SV1081 - SV1083
13	SV1101 - SV1109
14	SV1121 - SV1142
21	SV1160 - SV1168
22	SV1180 - SV1185

UPSR 24 WCDO


MERCED
Viaduct No. 113
STA 6133+38.63 (Ave 21 Merced Connection SB)
END OF CONSTRUCTION (PHASE 1)
Ave 21 Merced Connection
STA 5556+97.18 (Hybrid Ave 24 Merced Connection SB) =
STA 5556+98.70 (Ave 21 Merced Connection SB)
STA 1168+89.23 (Ave 24 Main Line SB) =
STA 1173+97.17 (Ave 24 WCDO Main Line SB)
Beg STA 500+00.00 (Hybrid Ave 24 WYE Connection SB) =
STA 5524+12.84 (Ave 24 Main Line SB)
N
End STA 393+52.13 (Hybrid Ave 24 WYE Connection NB) =
STA 5298+66.30 (Hybrid Ave 24 Merced Connection SB)
Hybrid Ave 24 Merced Connection
Viaduct No. 222
Hybrid Ave 24 WYE Connection
End STA 738+88.07 (Hybrid Ave 24 WYE Connection SB) =
STA 5276+63.19 (Hybrid Ave 24 Merced Connection SB)
CHOWCHILLA
Viaduct No. 181
D
BEGIN SEGMENT
Beg STA 107+82.52 (Hybrid Ave 24 WYE Connection NB) =
STA 833+75.47 (Ave 24 Main Line SB)
Viaduct No. 211
Ave 24 Main Line
Viaduct No. 221
Beg STA 5034+79.32 (Hybrid Ave 24 Merced Connection SB) =
STA 1255+05.24 (Ave 24 WCDO Main Line SB)
Ave 24 WCDO Main Line
STA 1599+10.41 (Ave 24 WCDO Main Line SB) =
STA 1599+10.41 (Ave 24 Main Line SB)
STA 1753+37.60 (Ave 24 Main Line SB) =
STA 1753+37.60 (Ave 21 Main Line SB)
Viaduct No. 151
Ave 24 Main Line
MADERA
Viaduct No. 101
Ave 21 Main Line
Viaduct No. 102
For continuation see Drawing No. SB0245
MATCH LINE
STA 1651+17.49 (Ave 21 Main Line SB)
A
FRESNO
PLAN
No Scale
AECOM
CH2M
CALIFORNIA
HIGH-SPEED RAIL AUTHORITY
RECORD SET
100% DESIGN
SUBMITTAL
NOT FOR
CONSTRUCTION
J. Bernard
C. Lee
H. Lee
A. Boone
07/17/2011

NOTES:

1. For Viaducts No. 101 and 102 Key Map, see Drawing No. SB0242 and SB0245.
2. For Viaduct No. 113 Key Map, see Drawing No. SB0243.

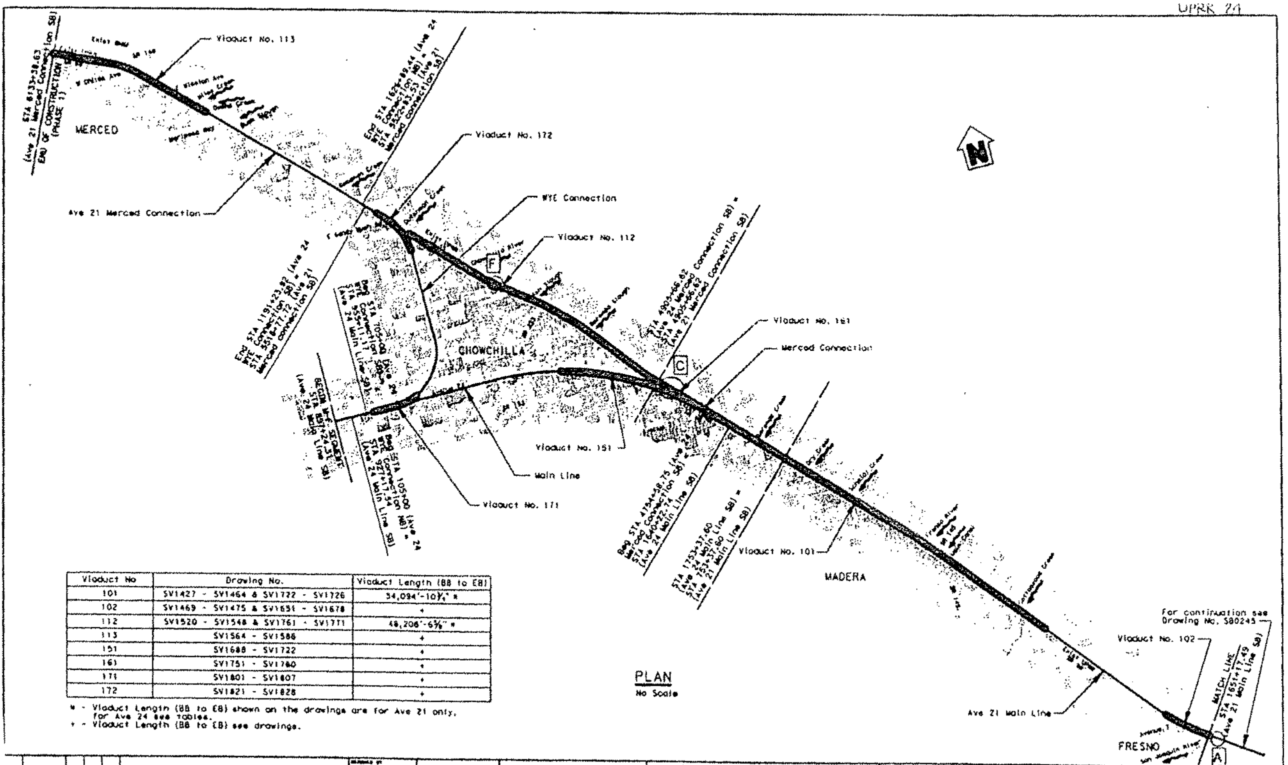
Viaduct No	Drawing No.	Viaduct Length (BB to EB)
101	SV1427 - SV1464 & SV1722 - SV1726	54,094'-10¾" *
102	SV1469 - SV1475 & SV1651 - SV1678	+
113	SV1564 - SV1586	+
151	SV1714 - SV1722 & SV1836 - SV1859	15,427'-2¼" *
181	SV1841 - SV1856	+
211	SV1911 - SV1917	+
221	SV1921 - SV1926	+
222	SV1931 - SV1937	+

* - Viaduct Length (BB to EB) shown on the drawings are for Ave 21 & 24 only, for Ave 24 WCDO see tables.
+ - Viaduct Length (BB to EB) see drawings.

CALIFORNIA HIGH-SPEED TRAIN PROJECT
MERCED TO FRESNO
ALIGNMENT UPRR/SR 99 WCDO
AVENUE 24
LOCATION PLAN
VIADUCTS

HSR06-007
SB0241
As shown
OF

UPRR 24



Viaduct No	Drawing No.	Viaduct Length (BB to EB)
101	SV1427 - SV1464 & SV1722 - SV1726	34,094'-10¼" *
102	SV1469 - SV1475 & SV1651 - SV1678	+
112	SV1520 - SV1548 & SV1761 - SV1771	48,208'-6⅜" *
113	SV1564 - SV1586	+
151	SV1688 - SV1722	+
161	SV1751 - SV1760	+
171	SV1801 - SV1807	+
172	SV1821 - SV1828	+

* - Viaduct Length (BB to EB) shown on the drawings are for Ave 21 only, for Ave 24 see tables.
+ - Viaduct Length (BB to EB) see drawings.

PLAN
No Scale

T. Bernard
C. Lee
H. Lee
A. Boone
02/17/2011

RECORD SET
15% DESIGN
SUBMITTAL

NOT FOR
CONSTRUCTION

AECOM

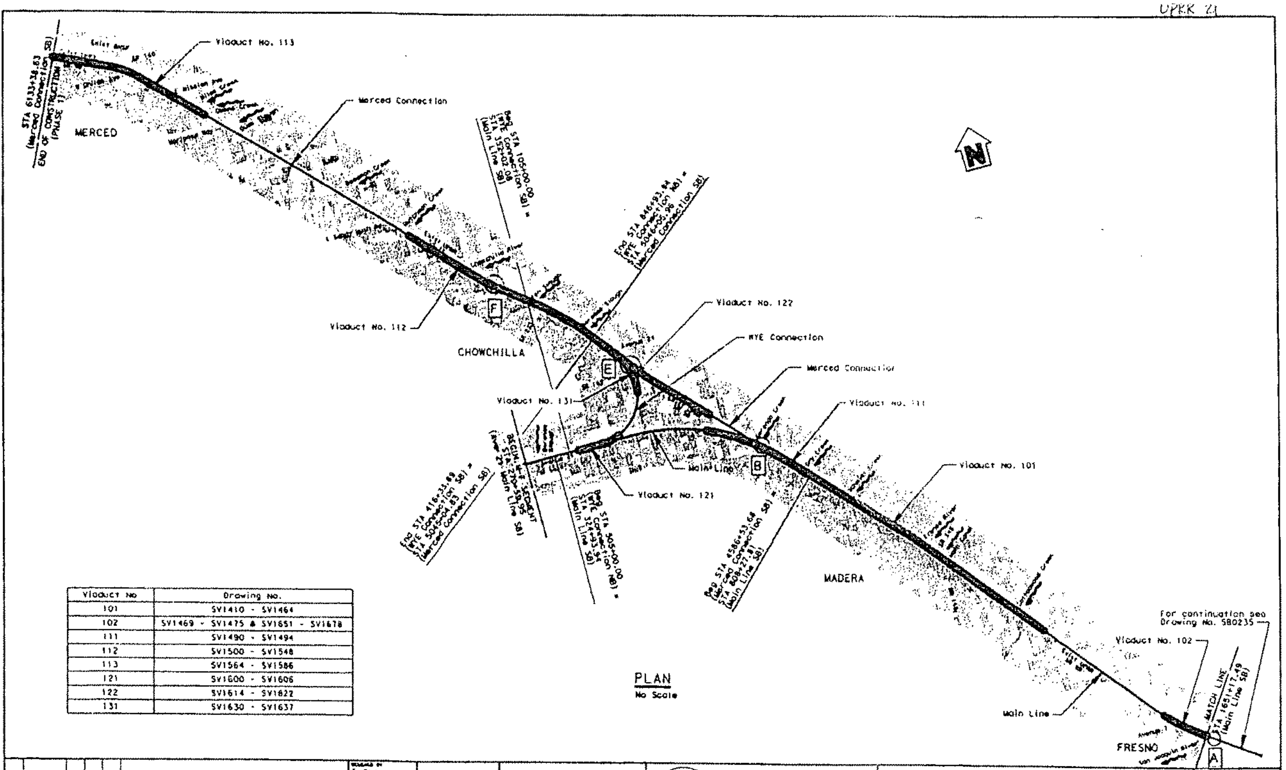
CH2M

CALIFORNIA
HIGH-SPEED RAIL AUTHORITY

CALIFORNIA HIGH-SPEED TRAIN PROJECT
MERCED TO FRESNO
ALIGNMENT UPRR/SR 99
AVENUE 24
LOCATION PLAN
VIADUCTS

HSR06-007
SB0240
As shown
OF

UPRR 21



PLAN
No Scale

Viaduct No	Drawing No.
101	SV1410 - SV1464
102	SV1469 - SV1475 & SV1651 - SV1678
111	SV1490 - SV1494
112	SV1500 - SV1548
113	SV1564 - SV1586
121	SV1600 - SV1606
122	SV1614 - SV1622
131	SV1630 - SV1637

T. Barnard
S. Lee
H. Lee
A. Boone
02/17/2011

RECORD SET
15% DESIGN
SUBMITTAL
NOT FOR
CONSTRUCTION

AECOM

CH2M HILL

CALIFORNIA
HIGH-SPEED RAIL AUTHORITY

CALIFORNIA HIGH-SPEED TRAIN PROJECT
MERCED TO FRESNO
ALIGNMENT UPRR/SR 99
AVENUE 21
LOCATION PLAN
VIADUCTS

HSR06-007
SB0231
As shown
OF

STRADDLE BENT INVENTORY
SUMMARY

ALTERNATIVE	LOCATION						
	A	B	C	D	E	F	G
HYBRID	X						
BNSF - AVENUE 24	X						X
BNSF - AVENUE 21	X						X
UPRR - AVENUE 24 w/ WCDO	X			X			
UPRR - AVENUE 24	X		X			X	
UPRR - AVENUE 21	X	X			X	X	

STRADDLE BENT INVENTORY
LENGTH SUMMARY

ALTERNATIVE	LENGTH (Ft)							TOTAL LENGTH (Ft)
	A	B	C	D	E	F	G	
HYBRID	900							900
BNSF - AVENUE 24	900						990	1890
BNSF - AVENUE 21	900						990	1890
UPRR - AVENUE 24 w/ WCDO	900			1210				2110
UPRR - AVENUE 24	900		1540			990		3430
UPRR - AVENUE 21	900	1320			550	990		3760

Table 1C

STRADDLE BENT INVENTORY
LOCATION DETAIL

Location	Plan Set	Sheet Ref	Begin Sta	End Sta	Length (Ft)	Height (Ft)	Skew (Deg)	Begin Bent Number	End Bent Number	Total Bents (Ea)
A	BNSF21	SV1202	1735+80	1744+80	900	60' +/-	7	85	94	10
B	UPRR21	SV1419	707+10	720+30	1,320	60' +/-	4.5	76	88	13
C	UPRR24	SV1706	1549+85	1565+25	1,540	65' +/-	5	147	161	15
D	UPRR24	SV1846	1467+30	1479+40	1,210	50' +/-	6	51	62	12
E	UPRR21	SV1617, 1633	337+20	342+70	550	70' +/-	20	19, 34	21, 36	4
F	UPRR21	SV1535	5248+00	5257+90	990	50' +/-	7	400	409	10
G	BNSF21	SV1124	5898+40	5908+30	990	60' +/-	7	30	39	10

Van Nostrand, Christopher (FRA)

From:	Porter, Bryan [redacted]]
Sent:	Wednesday, May 11, 2011 3:25 PM
To:	DuMond, Melissa (FRA)
Subject:	RE: Merced to Fresno Checkpoint B -- Update
Categories:	Red Category

Karin's response for MF:

I believe we did the wyes and am checking if they could be split out to compare them separately. I don't believe we did Western Madera and am checking what it would take to generate the numbers now (w/out NRCS checking them). For the cost savings footprint, NRCS declined to rerun the numbers so they are based on pre-cost savings.

From: melissa.dumond[redacted][mailto:[redacted]]
Sent: Wednesday, May 11, 2011 7:28 AM
To: Porter, Bryan
Subject: FW: Merced to Fresno Checkpoint B -- Update

Bryan, some of the agricultural issues that EPA are identifying would be addressed in the Farmland Policy Protect Act, NRCS' farmland impact rating form. Did we fill out the form for the Western Madera alignment and could we provide the analysis and results from NRCS to them to address their questions?

Thanks,
md

From: Blonn.Jennifer[redacted] [mailto:[redacted]]
Sent: Tuesday, May 10, 2011 9:23 PM
To: ljimenez@hsr.ca.gov; Porter, Bryan
Cc: paul.m.maniccia[redacted]; Zachary.M.Simmons[redacted]; Valenstein, David (FRA); DuMond, Melissa (FRA); dleavitt@[redacted]; Dunning.Connell[redacted] Goldmann.Elizabeth[redacted]; Mahdavi.Sarvy[redacted]; Brush.Jason[redacted]
Subject: Merced to Fresno Checkpoint B -- Update

Hi Lupe and Bryan,

Thank you again for Friday's call. I am providing a brief summary of our call below to ensure that we're on the same page. I'm also including an update on where EPA is in the Checkpoint B process for Merced to Fresno. Please let Sarvy or me know if you have questions. This project is very important to EPA, and we fully understand the need for EPA to provide meaningful feedback as quickly as we are able.

Summary of Friday's Call
In order for us to provide agreement with a range of alternatives at this point, we must have adequate supporting data. After reviewing the 4/25 Merced to Fresno packet, we found that information on the breakdown of farmlands -- which we had requested via phone and in writing -- was not included in the submittal. As such, we request:

- A breakdown of agricultural lands by type for all alignments. Include the following types: prime, statewide importance, local importance, unique importance (as defined by USDA NRCS). We would appreciate receiving data in two summary tables, one for acres within the ROW and a second for acres within the ROW + 250 ft buffer.

In addition, as we discussed, it is our understanding that the Western Madera alternative's path outside of an existing transportation corridor would cut off smaller roads in areas where under/over passes are unlikely to be built, creating a barrier effect. In addition, it is our understanding that farmers in the area would experience comparatively greater hardship from the loss of farmland. While the Summary Report briefly discusses these issues, EPA has not been provided with sufficient data to make decisions on the basis of these arguments. CHSRA's reasoning for removing the alternative would therefore be strengthened with the addition of the following:

- In order to clarify logistical issues that would be created, please specify the number and type of roads that would be disrupted by the Western Madera alignment (county road, local access road, highway, other).
- In order to clarify the socioeconomic impacts that would result, we request information on ownership of farmlands. To better explain why we are asking for this information -- If a corporation owns 100 acres and 5 acres are taken the socioeconomic impacts are far different than if a farmer owns 10 acres and 5 acres are taken. We suggest providing data to give a breakdown of impacts to (a) smaller family farms, (b) medium-scale farms, and (c) large-scale operations.

We also discussed whether the 404(b)(1) analysis would be incorporated into the EIS or be a stand alone document. I believe Bryan is going to follow up with Sarvy.

Finally, we discussed EPA's concerns over potential inaccuracies in data. As an example, I shared concerns we have with Table 1 and Table 2 from Summary Report Attachment 3 (table with eliminated alternatives highlighted in yellow). Some impacts are reported to be smaller in the footprint +250 ft buffer (Table 1) than they are in just the footprint with no buffer (Table 2). In addition, as we discussed, it is our understanding that the Corps visited the Merced to Fresno alternatives and identified aquatic resources that were not included in the JD.

I believe Bryan indicated that the information we requested will most likely be available early this week. We look forward to reviewing it and moving through Checkpoint B.

Heads-Up on Checkpoint B Process

Stations

While we recognize the strengths of the downtown Merced station option, based on the information received to date we do not plan to agree/disagree on the range of station options to be carried into the EIS under NEPA at this time. If CHSRA should choose to only carry one alternative into the EIS, we ask that a more robust analysis of impacts be included in the "considered but eliminated" section in order to clearly demonstrate why others were eliminated. In addition to what was included in the Checkpoint B package, we would expect to see comparative impacts to EJ, air quality, noise and residential and commercial displacements, and other relevant criteria from CHSRA's standard criteria list.

As noted above, Bryan is going to get back to EPA on whether the 404(b)(1) analysis will be incorporated into the EIS or be a stand alone document. For purposes of the 404(b)(1) analysis, EPA's Wetlands office and the Corps expect to see at least two station options carried forward. Thus, if CHSRA plans to include the 404(b)(1) analysis as part of the EIS rather than a stand alone document, then the EIS should carry forward at least two stations.

North/South Alignments

As noted above, on May 6 EPA repeated our request for information on impacts to farmlands. This information will inform our decision on the elimination of the Western Madera Alternative. It is our understanding that Zach Simmons has since requested information from CHSRA on agricultural and water impacts for a portion of the UPRR, Hybrid, and Western Madera alternatives. This portion would cover the distance from the point where all three alternatives share the UPRR alignment northwest of Chowchilla to the point where they reconnect to the UPRR alignment northwest of Fresno. We would appreciate receiving an electronic copy of this information as well.

Wyes

Although we requested information through a March 14, 2011 memo, we have not received comparative environmental data for wye alternatives. We do not want decisions to be made now that would prematurely eliminate alternatives in the San Jose to Merced section. Based on information received to date, we do not plan to agree/disagree to the range of alternatives for wyes at this time. We will agree/disagree to the range of alternatives for wyes after environmental information has been provided. Information should allow for comparison between wyes from the point where all wyes share an alignment (western boundary) to the point where they would reach the Merced to Fresno north/south alignments (eastern boundary). We understand that the wyes and the Merced to Fresno north/south alternatives need to be viewed holistically. However, we cannot agree to the elimination of wyes prior to knowing what the comparative environmental impacts are.

It had been our understanding that decisions regarding the range of alternatives for wyes would be provided with the San Jose to Merced Checkpoint B package, and we would therefore agree/disagree to the range of alternatives for wyes as part of the San Jose to Merced Checkpoint B process. If the Merced to Fresno EIS would make any decisions regarding wye connections, we would expect full environmental data to be provided (from the point where wyes all share an alignment to the point where they would reach the Merced to Fresno north/south alignments). Data could be included in the "considered but eliminated" section, or all proposed wyes could be carried through the EIS.

Next Steps
We greatly appreciate changes CHSRA has made to the Checkpoint B package to address our concerns. Many issues we had with the initial draft have been resolved, and we now have the supporting data we need for agreeing to carry forward/eliminate a subset of the proposed alignments. We look forward to reviewing the additional information that CHSRA has agreed to provide and then submitting our Checkpoint B response letter.

Thank you!
Best,
Jen Blonn
High-Speed Rail, NEPA Lead
Environmental Review Office
U.S. EPA Region 9
75 Hawthorne Street
San Francisco, CA 94105 (CED-2)
[redacted]

NOTICE: This communication and any attachments ("this message") may contain confidential information for the sole use of the intended recipient(s). Any unauthorized use, disclosure, viewing, copying, alteration, dissemination or distribution of, or reliance on this message is strictly prohibited. If you have received this message in error, or you are not an authorized recipient, please notify the sender immediately by replying to this message, delete this message and all copies from your e-mail system and destroy any printed copies.

Van Nostrand, Christopher (FRA)

From: Porter, Bryan [[redacted]]
Sent: Wednesday, May 11, 2011 6:41 PM
To: Jodi.Ketelsen[redacted]; Karin.Lilienbecker[redacted]; dleavitt[redacted] jabercrombie[redacted] LJimenez[redacted]; Valenstein, David (FRA); DuMond, Melissa (FRA); Danae Aitchison; james.andrew[redacted]; Koby, Ann; Valentine, Peter
Cc: Porter, Bryan
Subject: USACE Merced to Fresno Checkpoint B Comments

Categories: Red Category

For discussion tomorrow during our 9:00 call.

bryan

From: Simmons, Zachary M SPK [mailto:[redacted]]
Sent: Wednesday, May 11, 2011 3:36 PM
To: Porter, Bryan
Cc: Jennifer Blonn; Mahdavi.Sarvy[redacted] Maniccia, Paul M SPK
Subject: FW: Merced to Fresno Checkpoint B Comments

Bryan,

Thank you for submitting the April 2011 Checkpoint B Summary Report. We have reviewed the information and coordinated with EPA on our comments. EPA provided a detailed list of comments yesterday via email addressing the following concerns; 1) Western Madera Alignment data needs, 2) Merced Station analysis, and 3) East-West Wyes data needs.

The Corps has additional concerns with carrying forward the portion of the BNSF alignment between the divergence southeast of Merced and the convergence to the Wyes east of Chowchilla. Based on the delineation data submitted in the February 2011, Merced to Fresno Wetlands Delineation Report, this alignment contains the majority of wetlands and vernal pools within the Merced to Fresno section. We found that this single portion contains approximately **82% (19.5 acres)** of vernal pools and **51% (21.8 acres)** of seasonal wetlands delineated for the entire section. In comparison, the UPRR alignment for the same northern portion contains approximately **13% (3.1 acres)** of vernal pools and **1% (0.5 acres)** of seasonal wetlands delineated for the entire section. This portion of the BNSF alignment also bisects approximately 4.5 miles of vernal pool critical habitat while no other alignment in this section passes through critical habitat. The Alignment also passes through approximately 38 acres of the Great Valley Conservation Bank, a USFWS approved bank held under a conservation easement to be preserved in perpetuity. Although it appears that the associated infrastructure impacts were included in the delineation, if unanticipated changes occur, this section would likely incur greater impacts than similar changes made on other alignments. We are concerned that this alternative, if selected, would have significant impacts to aquatic resources and endangered species when compared to the UPRR alternative.

The Kojima Development HMF site has similar concerns and is the only HMF alternative that contains delineated wetlands, approximately 0.89 acre of vernal pools.

We thank you very much for the work put into preparing these reports. We are currently working to provide concurrence with the other alignments and will work with EPA to respond to the data requested in their previous email.

Thank you,

Zachary M. Simmons
Biologist / Senior Regulatory Project Manager

U.S. Army Corps of Engineers, Sacramento District, Regulatory Division
650 Capitol Mall Suite 5-200
Sacramento, CA 95814
[redacted]

Please let me know about your experience by filling out our Customer Survey:
http://per2.nwp.usace.army.mil/survey.html

For more information regarding our program, please visit our website at:
http://www.spk.usace.army.mil/regulatory/

NOTICE: This communication and any attachments ("this message") may contain confidential information for the sole use of the intended recipient(s). Any unauthorized use, disclosure, viewing, copying, alteration, dissemination or distribution of, or reliance on this message is strictly prohibited. If you have received this message in error, or you are not an authorized recipient, please notify the sender immediately by replying to this message, delete this message and all copies from your e-mail system and destroy any printed copies.

Van Nostrand, Christopher (FRA)

From:	Porter, Bryan [[redacted]]
Sent:	Tuesday, May 17, 2011 2:58 PM
To:	blonn.jennifer[redacted]; Mahdavi.Sarvy[redacted]; Zachary.M.Simmons[redacted]
Cc:	Karin.Lilienbecker[redacted]; Jodi.Ketelsen[redacted]; dleavitt[redacted]; jabercrombie[redacted]; Valenstein, David (FRA); DuMond, Melissa (FRA); Danae Aitchison; james.andrew[redacted]; Koby, Ann; Porter, Bryan
Subject:	MF Checkpoint B Supplemental Data Requested
Attachments:	Merced to Fresno Checkpoint B -- Update; FW: Merced to Fresno Checkpoint B Comments; MF SuppData for 404 Alternatives Analysis_PrelimDraft_110517.pdf
Categories:	Red Category

Jen, Sarvy and Zach – attached is a response to the supplemental information EPA requested verbally on May 6 and then again in writing on May 10 (see attached email) for the MF Checkpoint B package. We also received a request for information from the Corps dated May 11 (also, see attached email).

While the Authority and the regional team were able to respond to many of your requests, we are still compiling information on agricultural and water impacts associated with the UPRR, Hybrid and Western Madera alternatives. This information will be sent to you via separate email later on this week. With regard to the wye alternatives, the Authority and FRA would like to convene a conference call with you so we can discuss the planning and engineering assumptions now being utilized by the Merced to Fresno and San Jose to Merced regional teams. Please let us know your availability for a call the week of May 23. Many thanks.

Bryan

Bryan K. Porter, AICP
Environmental Planning Manager
Parsons Brinckerhoff
[redacted]Office)
[redacted](cell)

CONFIDENTIALITY NOTICE: This communication with its contents may contain confidential and/or legally privileged information. It is solely for the use of the intended recipient(s). Unauthorized interception, review, use or disclosure is prohibited and may violate applicable laws including the Electronic Communications Privacy Act. If you are not the intended recipient, please contact the sender and destroy all copies of the communication.

NOTICE: This communication and any attachments ("this message") may contain confidential information for the sole use of the intended recipient(s). Any unauthorized use, disclosure, viewing, copying, alteration, dissemination or distribution of, or reliance on this message is strictly prohibited. If you have received this message in error, or you are not an authorized recipient, please notify the sender immediately by replying to this message, delete this message and all copies from your e-mail system and destroy any printed copies.

Supplemental Data for the 404 Alternatives Analysis – Response to EPA Request

On May 10, 2011, the EPA provided a request for additional data and clarification, mostly with respect to the Western Madera Alternative (A3). This document responds to the request, addressing the items listed below:

- **Item #1:** Information on Farmland Impacts
- **Item #2:** Roadway Closures Associated with the Western Madera Alternative (A3)
- **Item #3:** Acres Affected by Size of Farm Property along the Western Madera Alternative (A3)
- **Item #4:** Clarification of Data in Attachment 3 of the Summary Report (Aquatic and Waters of the US Potentially Affected by Merced to Fresno Alternatives Considered Technical Memorandum)
- **Item #5:** Additional Items (Stations, North-South Alignments, Wyes)

Item #1: Information on Farmland Impacts

Table 1 compares the impacts on Important Farmland along the north-south alignments only (i.e., the wyes are not included). The data shows that potential Important Farmland impacts would be least along the UPRR/SR 99 Alternative (A2) and greatest along the Hybrid and Western Madera (A3) alternatives. Impacts to Prime Farmland—the category with the highest value—are anticipated to be greater along the Western Madera Alternative (A3).

Important Farmland impacts are determined by overall length of the alternative (the BNSF [A1] and Hybrid alternatives are the longest), as well as by the quality of farmland along each alignment. The alternatives could result in loss of Important Farmland regardless of proximity to existing transportation corridors, although there is a higher presence of urban and built-up land, and thus less Important Farmland, near existing corridors. The advantage of locating the high-speed train (HST) tracks in proximity to existing corridors, essentially widening those corridors, is that the resulting impacts to farmland would be along the edge of the field or farm and would not bisect it, thus reducing the acreage of impact and the burden on farming operations from severed parcels (see Figure 1). The north-south alignments would minimize the occurrence of severance by following the existing UPRR/SR 99 or BNSF corridors.

Deviation from the existing corridors is necessary for the project to connect to the San Francisco Bay Area. This deviation would occur at one of the wye design options; all alternatives have to make this connection. The UPRR/SR 99 (A2) and BNSF (A1) alternatives would make these connections directly from existing corridors along either the Ave 24 Wye or the Ave 21 Wye. While the impacts from the Hybrid Alternative appear to be as high as those of other alternatives, it eliminates the alignment through Chowchilla by taking advantage of the Ave 24 Wye alignment, resulting in the shortest alternative (73 miles including the wye) compared to other alternatives (81 to 95 miles including the wyes) and reducing impacts on the urban areas of Chowchilla. Where the alternatives deviate from existing corridors, such as along the wye connections and the Western Madera Alternative (A3), parcel severance would occur that is highly disruptive to the agricultural community. This is demonstrated in Table 2 of the Checkpoint B Summary Report, which shows the number and acreage of severed parcels by alternative for the north-south alignment.

Table 1
Important Farmland Potentially Affected by Each HST Alternative

HST Alternative	Important Farmland				
	Prime Farmland (acres)	Farmland of Statewide Importance (acres)	Unique Farmland (acres)	Farmland of Local Importance (acres)	Total (acres)
Impact from Right-of-Way					
A1 - BNSF Alternative (64 miles)	112 to 141	48 to 58	138 to 157	39 to 70	337 to 426
A2 - UPRR/SR 99 Alternative (60 miles)	87	87	63	42	279
Hybrid Alternative (73 miles, including the wye)	110	149	215	63	537
A3 – Western Madera Alternative (46 miles)	214	140	104	53	512
A4 – Crossover Alternative (63 miles)	105	69	151	84	410
Impact from Right-of-Way Plus 250-Foot Buffer					
A1 - BNSF Alternative	930 to 1,357	587 to 755	1,508 to 1,768	333 to 524	3,359 to 4,405
A2 - UPRR/SR 99 Alternative	761	947	830	272	2,810
Hybrid Alternative	663	965	1,212	332	3,172
A3 – Western Madera Alternative	1,381	1,321	741	305	3,748
A4 – Crossover Alternative	1,154	747	1,194	479	3,574

Source: Merced, Madera and Fresno County Farmland Mapping and Monitoring Program (FMMP) (2009).

Data Source Notation:

While the U.S. Environmental Protection Agency (EPA) requested farmland data as used by the Natural Resources Conservation Service (NRCS) under the Department of Agriculture, the response relies on FMMP data for the following reasons:

1. FMMP data has been used throughout the process and allows comparison with all other data generated to date.
2. According to Bill Reed/NRCS (personal communication with Karin Lilienbecker/CH2M HILL, May 11, 2011), a GIS layer with farmland classifications is not available.
3. The land evaluation and site assessment conducted for the Merced to Fresno Section reports data by corridor contained in a certain county so that using the data to calculate different alignments over the distance of the Merced to Fresno Section is not possible.

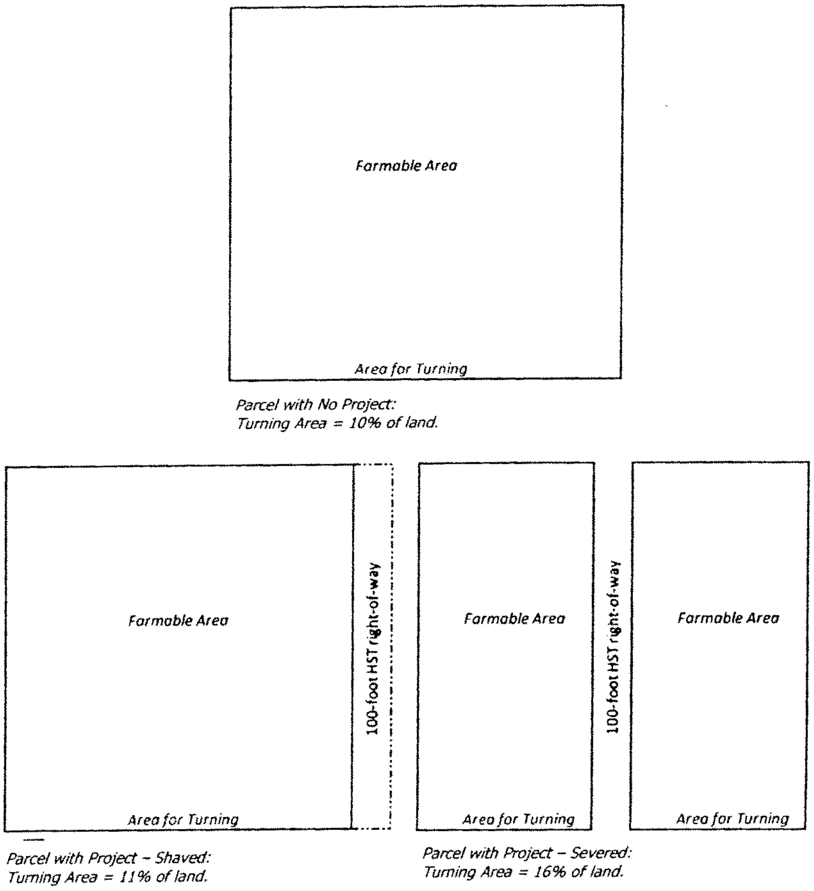

Farmable Area
Area for Turning
Parcel with No Project:
Turning Area = 10% of land.
Farmable Area
100-foot HST right-of-way
Area for Turning
Farmable Area
100-foot HST right-of-way
Farmable Area
Area for Turning
Area for Turning
Parcel with Project – Shaved:
Turning Area = 11% of land.
Parcel with Project – Severed:
Turning Area = 16% of land.

Figure 1
Land Required for Turning

Item #2: Roadway Closures Associated with the Western Madera Alternative (A3)

Table 2 provides an overview of how the conceptual alternatives would interact with other transportation corridors. It was assumed that HST would cross over state routes, but in some cases, extending an existing state route interchange or overcrossing was considered to be more prudent. Due to the number and nature of local roadways, many smaller roadways are suggested to be closed, but, for this evaluation, a standard consistent with California Department of Transportation (Caltrans) policy was applied, maintaining access every 2 miles with a roadway overcrossing the HST. The Western Madera Alternative (A3) would have the most local and county road closures because it would diagonally traverse the agricultural grid. In addition, the Western Madera Alternative (A3) would also require the highest number new overcrossings, nearly double any other alternative. Overcrossings do not easily facilitate the need of agricultural operations to move large equipment from one side of the railroad barrier to the other side. An overcrossing may minimize the barrier, but farmers may still need to duplicate machinery, regrade their fields, and change irrigation systems in order to continue operations efficiently. Therefore, while crossings and overcrossings do provide access, they are considered impacts on the agricultural community.

Table 2
Crossing by Alternative

	BNSF	UPRR/ SR 99	Western Madera	Crossover	
	A1	A2	A3	A4	Hybrid
Engineering Design Elements					
State Roads and Railroad Crossings					
SR 99[a]	4	4	4	4	4
SR 152/ SR 233[b]	0/1	0/1	1/0	0	0/1
UPRR	2	3	2	2	5
BNSF	0	0	0	0	0
Number of County/Local Road Closures/Modifications					
Closures	24	22	39	26	22
Extension of overcrossings	1	11	3	3	3
New Overcrossings	21	7	38	19	22
New Undercrossings	0	0	0	0	0

[a] All alternatives also cross over SR 148/145.

[b] Only the Ave 24 Wye would cross over SR 233 and SR 152 for Alternatives A1 and A2, whereas the A3 and Hybrid alternative north-south alignment would cross over SR 152 or SR 233.

Item #3: Acres Affected by Size of Farm Property along the Western Madera Alternative (A3)

EPA requested information regarding relative impacts on small, mid-sized, and large farms to determine socioeconomic effects. However, such information cannot be readily developed because of data limitations, as listed below:

1. Data collected is limited to parcels that would be affected by the alternatives. It does not reveal whether adjacent or noncontiguous parcels held under the same ownership would change the category of an affected land holding to large, medium, or small.
2. There are numerous properties that do not have named ownership, according to county assessor data.
3. Not all land holdings are necessarily farms; they may contain residences or other uses—such as railroad-owned lands or preservation lands. The owner name does not necessarily allow conclusion about land use.
4. The percentage of total lands for one property owner affected can be misleading. As shown below, 1.04 acres represents 31% of the total land area for one property owner, whereas 11.84 acres of impact only represents 1.6% of another property owner (this is a true situation, but the name has been changed). Furthermore, the three properties identified below could be considered to belong to the same owner.

Name	Impacted Area	Percent of Total Land Owned
Property Owner A	1.04 acres	31.0%
Property Owner B	6.87 acres	4.3%
Property Owner C	11.84 acres	1.6%

5. The EPA did not provide parameters for classifying small, mid-sized, and large farm operations.
6. The percentage does not explain the relative impact on the agricultural community, because there are other impacts associated with property acquisition on the agricultural community. There is a possibility that the acquisition would sever the land, thereby creating other hardships on the entire farm, including rebuilding the irrigation system, need for additional equipment, inefficient shape of land, or ineffective farming. In addition, the cumulative impact of a new transportation corridor could lead to further reduction of farmable lands since a farm typically requires a perimeter roadway for farm equipment and utilities commonly follow transportation corridors, resulting in less useable property along the edge of the farm. Therefore, the total area of reduction on a farm may be more than the permanent acquisition area for the project.

Conclusions drawn about socioeconomic impacts on farm operations of different sizes based on vague or inconclusive data would be misleading and potentially erroneous and controversial. Nevertheless, the concerns about impacts on farmlands have long been recognized by the Authority. To address concerns regarding severance of farmland (and concerns about other environmental effects, such as on natural resources), the Authority has included as part of the project's Purpose and Need, and as concurred with by the EPA and the U.S. Army Corps of Engineers (USACE) (on January 20, 2011. and February 2, 2011, respectively) an objective "to follow existing transportation corridors to the extent possible."

Item #4: Clarification of Data in Attachment 3 of the Summary Report (Aquatic and Waters of the US Potentially Affected by Merced to Fresno Alternatives Considered Technical Memorandum)

Comments from EPA questioned potential inconsistencies in the wetland acreages presented in Tables 1 and 2 of Attachment 3 to the Summary Report, particularly, for the Kojima Development Heavy Maintenance Facility (HMF) site. For the Kojima Development HMF, Table 1 indicates that there are 0.51 acre of wetlands in the wetland study area (WSA), and Table 2 indicates 0.75 acre for the—presumably smaller—construction footprint. However, as mentioned in footnote c of Table 2, the GIS calculations are set up to "favor" the HST track over the HMF sites, which may or may not be built at any particular location. Figure 2 explains how the calculations are set up.

Item #5: Additional Items (Stations, North/South Alignments, Wyes)

Stations

As described in the Checkpoint B package, three station sites in Merced were considered as part of the range of alternatives. From the analysis presented in the AA Report and described in Checkpoint B, the Downtown Merced Station best satisfies purpose and need and provides the best access to SR 99 and the public transit system, and has the fewest residential impacts.

Existing multi-modal stations like Diridon Station in San Jose and Union Station in Los Angeles represent major transportation hubs that bring together local, regional, and interregional transportation services. To promote connectivity to the larger transportation system, the Authority has always assumed that the high-speed train (HST) would serve these existing stations. In other areas that lack an existing transportation hub, the regional teams are working with local communities to identify one or more potential station sites. Again, these station sites are to be described and evaluated in the AA Report, in Checkpoint B, and the EIR/EIS.

With regard to your question regarding the 404(b)(1) analysis, Checkpoint B includes this evaluation and has been prepared as a stand-alone document. Checkpoint B is also referred to in the text as part of Chapter 2, Alternatives, of the Merced to Fresno Section EIR/EIS.

North/South Alignments

The Merced to Fresno team is compiling information on agricultural and water impacts for the portion of the UPRR, Hybrid and Western Madera alternatives from the point where all three alternatives share the UPRR alignment northwest of Chowchilla to the point where they reconnect to the UPRR northwest of Fresno. The team will provide you this information to you the week of May 16.

Wyes

As described in the Preliminary Alternatives Analysis (AA) and Supplemental AA Reports previously provided, the Authority evaluated several different wye configurations to establish a connection from the San Francisco Bay Area via the Pacheco Pass to the UPRR or BNSF alternatives between Merced and Fresno. As a result of this earlier work, two wye options are presently being carried into the EIR/EIS, one providing a connection utilizing Ave 21, the other using Ave 24.

To better clarify the wye alternatives being evaluated as part of the San Jose to Merced and Merced to Fresno sections, the Authority would propose to host a conference call with EPA and the Corps to discuss the issue the week of May 23. We agree with your comment about the need to evaluate the wyes and their relationship with the two HST sections holistically.

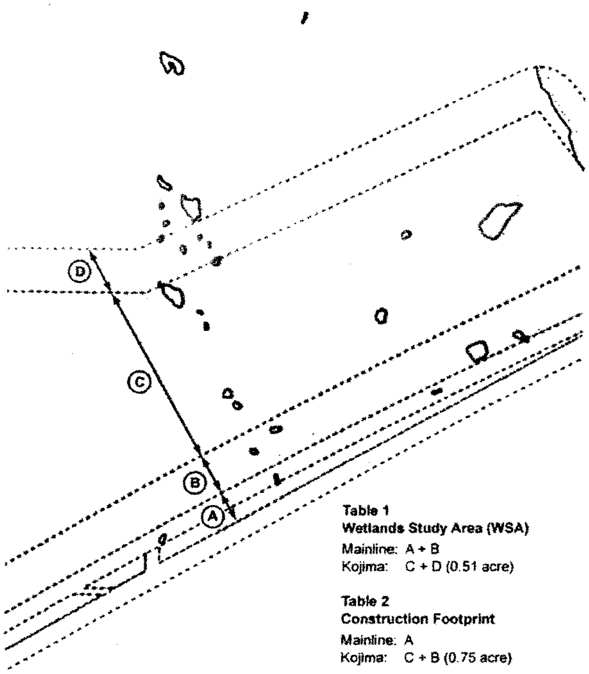


Table 1
Wetlands Study Area (WSA)
Mainline: A + B
Kojima: C + D (0.51 acre)

Table 2
Construction Footprint
Mainline: A
Kojima: C + B (0.75 acre)

B was counted as part of the mainline because the HMF might not be built at the Kojima site. This avoids double counting of wetlands in the WSA.

The difference in acreage between the wetlands in B and D is 0.24 acre.

The wetlands area in B is greater than the area in D.

Figure 2
Wetland Acreage Calculations at Kojima Development HMF Site, for Tables 1 and 2 of Summary Report Attachment 3

Van Nostrand, Christopher (FRA)

From: Simmons, Zachary M SPK [redacted]
Sent: Wednesday, May 11, 2011 6:36 PM
To: Porter, Bryan
Cc: Jennifer Blonn; Mahdavi.Sarv[redacted]Maniccia, Paul M SPK
Subject: FW: Merced to Fresno Checkpoint B Comments

Bryan,

Thank you for submitting the April 2011 Checkpoint B Summary Report. We have reviewed the information and coordinated with EPA on our comments. EPA provided a detailed list of comments yesterday via email addressing the following concerns; 1) Western Madera Alignment data needs, 2) Merced Station analysis, and 3) East-West Wyes data needs.

The Corps has additional concerns with carrying forward the portion of the BNSF alignment between the divergence southeast of Merced and the convergence to the Wyes east of Chowchilla. Based on the delineation data submitted in the February 2011, Merced to Fresno Wetlands Delineation Report, this alignment contains the majority of wetlands and vernal pools within the Merced to Fresno section. We found that this single portion contains approximately **82% (19.5 acres)** of vernal pools and **51% (21.8 acres)** of seasonal wetlands delineated for the entire section. In comparison, the UPRR alignment for the same northern portion contains approximately **13% (3.1 acres)** of vernal pools and **1% (0.5 acres)** of seasonal wetlands delineated for the entire section. This portion of the BNSF alignment also bisects approximately 4.5 miles of vernal pool critical habitat while no other alignment in this section passes through critical habitat. The Alignment also passes through approximately 38 acres of the Great Valley Conservation Bank, a USFWS approved bank held under a conservation easement to be preserved in perpetuity. Although it appears that the associated infrastructure impacts were included in the delineation, if unanticipated changes occur, this section would likely incur greater impacts than similar changes made on other alignments. We are concerned that this alternative, if selected, would have significant impacts to aquatic resources and endangered species when compared to the UPRR alternative.

The Kojima Development HMF site has similar concerns and is the only HMF alternative that contains delineated wetlands, approximately 0.89 acre of vernal pools.

We thank you very much for the work put into preparing these reports. We are currently working to provide concurrence with the other alignments and will work with EPA to respond to the data requested in their previous email.

Thank you,

Zachary M. Simmons
Biologist / Senior Regulatory Project Manager

U.S. Army Corps of Engineers, Sacramento District, Regulatory Division
650 Capitol Mall, Suite 5-200
Sacramento, CA 95814
[redacted]

Please let me know about your experience by filling out our Customer Survey:
http://per2.nwp.usace.army.mil/survey.html

For more information regarding our program, please visit our website at:
http://www.spk.usace.army.mil/regulatory/

Van Nostrand, Christopher (FRA)

From: Blonn.Jennifer[redacted]
Sent: Tuesday, May 10, 2011 9:23 PM
To: ljimenez[redacted]; Porter, Bryan
Cc: paul.m.maniccia[redacted] Zachary.M.Simmons[redacted] Valenstein, David (FRA); DuMond, Melissa (FRA); dleavitt[redacted] Dunning.Connell[redacted]; Goldmann.Elizabeth[redacted]; Mahdavi.Sarvy[redacted]; Brush.Jason[redacted]
Subject: Merced to Fresno Checkpoint B -- Update

Categories: Red Category

Hi Lupe and Bryan,

Thank you again for Friday's call. I am providing a brief summary of our call below to ensure that we're on the same page. I'm also including an update on where EPA is in the Checkpoint B process for Merced to Fresno. Please let Sarvy or me know if you have questions. This project is very important to EPA, and we fully understand the need for EPA to provide meaningful feedback as quickly as we are able.

Summary of Friday's Call
In order for us to provide agreement with a range of alternatives at this point, we must have adequate supporting data. After reviewing the 4/25 Merced to Fresno packet, we found that information on the breakdown of farmlands -- which we had requested via phone and in writing -- was not included in the submittal. As such, we request:

- A breakdown of agricultural lands by type for all alignments. Include the following types: prime, statewide importance, local importance, unique importance (as defined by USDA NRCS). We would appreciate receiving data in two summary tables, one for acres within the ROW and a second for acres within the ROW + 250 ft buffer.

In addition, as we discussed, it is our understanding that the Western Madera alternative's path outside of an existing transportation corridor would cut off smaller roads in areas where under/over passes are unlikely to be built, creating a barrier effect. In addition, it is our understanding that farmers in the area would experience comparatively greater hardship from the loss of farmland. While the Summary Report briefly discusses these issues, EPA has not been provided with sufficient data to make decisions on the basis of these arguments. CHSRA's reasoning for removing the alternative would therefore be strengthened with the addition of the following:

- In order to clarify logistical issues that would be created, please specify the number and type of roads that would be disrupted by the Western Madera alignment (county road, local access road, highway, other).
- In order to clarify the socioeconomic impacts that would result, we request information on ownership of farmlands. To better explain why we are asking for this information -- If a corporation owns 100 acres and 5 acres are taken the socioeconomic impacts are far different than if a farmer owns 10 acres and 5 acres are taken. We suggest providing data to give a breakdown of impacts to (a) smaller family farms, (b) medium-scale farms, and (c) large-scale operations.

We also discussed whether the 404(b)(1) analysis would be incorporated into the EIS or be a stand alone document. I believe Bryan is going to follow up with Sarvy.

Finally, we discussed EPA's concerns over potential inaccuracies in data. As an example, I shared concerns we have with Table 1 and Table 2 from Summary Report Attachment 3 (table with eliminated alternatives highlighted in yellow). Some impacts are reported to be smaller in the footprint +250 ft buffer (Table 1) than they are in just the footprint with no buffer (Table 2). In addition, as we discussed, it is our understanding that the Corps visited the Merced to Fresno alternatives and identified aquatic resources that were not included in the JD.

I believe Bryan indicated that the information we requested will most likely be available early this week. We look forward to reviewing it and moving through Checkpoint B.

Heads-Up on Checkpoint B Process

Stations

While we recognize the strengths of the downtown Merced station option, based on the information received to date we do not plan to agree/disagree on the range of station options to be carried into the EIS under NEPA at this time. If CHSRA should choose to only carry one alternative into the EIS, we ask that a more robust analysis of impacts be included in the "considered but eliminated" section in order to clearly demonstrate why others were eliminated. In addition to what was included in the Checkpoint B package, we would expect to see comparative impacts to EJ, air quality, noise and residential and commercial displacements, and other relevant criteria from CHSRA's standard criteria list.

As noted above, Bryan is going to get back to EPA on whether the 404(b)(1) analysis will be incorporated into the EIS or be a stand alone document. For purposes of the 404(b)(1) analysis, EPA's Wetlands office and the Corps expect to see at least two station options carried forward. Thus, if CHSRA plans to include the 404(b)(1) analysis as part of the EIS rather than a stand alone document, then the EIS should carry forward at least two stations.

North/South Alignments

As noted above, on May 6 EPA repeated our request for information on impacts to farmlands. This information will inform our decision on the elimination of the Western Madera Alternative. It is our understanding that Zach Simmons has since requested information from CHSRA on agricultural and water impacts for a portion of the UPRR, Hybrid, and Western Madera alternatives. This portion would cover the distance from the point where all three alternatives share the UPRR alignment northwest of Chowchilla to the point where they reconnect to the UPRR alignment northwest of Fresno. We would appreciate receiving an electronic copy of this information as well.

Wyes

Although we requested information through a March 14, 2011 memo, we have not received comparative environmental data for wye alternatives. We do not want decisions to be made now that would prematurely eliminate alternatives in the San Jose to Merced section. Based on information received to date, we do not plan to agree/disagree to the range of alternatives for wyes at this time. We will agree/disagree to the range of alternatives for wyes after environmental information has been provided. Information should allow for comparison between wyes from the point where all wyes share an alignment (western boundary) to the point where they would reach the Merced to Fresno north/south alignments (eastern boundary). We understand that the wyes and the Merced to Fresno north/south alternatives need to be viewed holistically. However, we cannot agree to the elimination of wyes prior to knowing what the comparative environmental impacts are.

It had been our understanding that decisions regarding the range of alternatives for wyes would be provided with the San Jose to Merced Checkpoint B package, and we would therefore agree/disagree to the range of alternatives for wyes as part of the San Jose to Merced Checkpoint B process. If the Merced to Fresno EIS would make any decisions regarding wye connections, we would expect full environmental data to be provided (from the point where wyes all share an alignment to the point where they would reach the Merced to Fresno north/south alignments). Data could be included in the "considered but eliminated" section, or all proposed wyes could be carried through the EIS.

Next Steps

We greatly appreciate changes CHSRA has made to the Checkpoint B package to address our concerns. Many issues we had with the initial draft have been resolved, and we now have the supporting data we need for agreeing to carry forward/eliminate a subset of the proposed alignments. We look forward to reviewing the additional information that CHSRA has agreed to provide and then submitting our Checkpoint B response letter.

Thank you!
Best,
Jen Blonn
High-Speed Rail, NEPA Lead
Environmental Review Office
U.S. EPA Region 9
75 Hawthorne Street
San Francisco, CA 94105 (CED-2)
[redacted]

Van Nostrand, Christopher (FRA)

From: Porter, Bryan[redacted]
Sent: Wednesday, May 18, 2011 7:10 PM
To: blonn.jennifer[redacted] Mahdavi.Sarvy[redacted]; Zachary.M.Simmons[redacted]
Cc: Karin.Lilienbecker[redacted]; Jodi.Ketelsen[redacted] dleavitt[redacted]; jabercrombie[redacted] Valenstein, David (FRA); DuMond, Melissa (FRA); Danae Aitchison; james.andrew[redacted] Koby, Ann; Karin.Lilienbecker[redacted]
Subject: RE: MF Checkpoint B Supplemental Data Requested
Attachments: MF SuppData for 404 Alternatives Analysis_PrelimDraft_110518.pdf

Categories: Red Category

Jen, Sarvy and Zach – attached is an updated version of the information we submitted yesterday. For reference, the document header has today's date. This new version contains the data you requested on the north/south alignments for the UPPR, Hybrid and Western Madera alternatives from their common point north of Chowchilla to the San Joaquin River.

Bryan

From: Porter, Bryan
Sent: Tuesday, May 17, 2011 11:58 AM
To: jennifer Blonn ([redacted]); Mahdavi.Sarvy[redacted] Zachary Simmons ([redacted])
Cc: Karin.Lilienbecker[redacted] Jodi.Ketelsen[redacted] Dan Leavitt (dleavitt[redacted]); Jeff Abercrombie ([redacted]); David Valenstein ([redacted]); melissa.dumond[redacted] Danae Aitchison; James Andrew ([redacted]); Koby, Ann; Porter, Bryan
Subject: MF Checkpoint B Supplemental Data Requested

Jen, Sarvy and Zach – attached is a response to the supplemental information EPA requested verbally on May 6 and then again in writing on May 10 (see attached email) for the MF Checkpoint B package. We also received a request for information from the Corps dated May 11 (also, see attached email).

While the Authority and the regional team were able to respond to many of your requests, we are still compiling information on agricultural and water impacts associated with the UPRR, Hybrid and Western Madera alternatives. This information will be sent to you via separate email later on this week. With regard to the wye alternatives, the Authority and FRA would like to convene a conference call with you so we can discuss the planning and engineering assumptions now being utilized by the Merced to Fresno and San Jose to Merced regional teams. Please let us know your availability for a call the week of May 23. Many thanks.

Bryan

Bryan K. Porter, AICP
Environmental Planning Manager
Parsons Brinckerhoff
[redacted](Office)
[redacted](cell)

CONFIDENTIALITY NOTICE: This communication with its contents may contain confidential and/or legally privileged information. It is solely for the use of the intended recipient(s). Unauthorized interception, review, use or disclosure is prohibited and may violate applicable laws including the Electronic Communications Privacy Act. If you are not the intended recipient, please contact the sender and destroy all copies of the communication.

NOTICE: This communication and any attachments ("this message") may contain confidential information for the sole use of the intended recipient(s). Any unauthorized use, disclosure, viewing, copying, alteration, dissemination or distribution of, or reliance on this message is strictly prohibited. If you have received this message in error, or you are not an authorized recipient, please notify the sender immediately by replying to this message, delete this message and all copies from your e-mail system and destroy any printed copies.

Supplemental Data for the 404 Alternatives Analysis – Response to EPA Request

On May 10, 2011, the EPA provided a request for additional data and clarification, mostly with respect to the Western Madera Alternative (A3). This document responds to the request, addressing the items listed below:

- **Item #1:** Information on Farmland Impacts
- **Item #2:** Roadway Closures Associated with the Western Madera Alternative (A3)
- **Item #3:** Acres Affected by Size of Farm Property along the Western Madera Alternative (A3)
- **Item #4:** Clarification of Data in Attachment 3 of the Summary Report (Aquatic and Waters of the US Potentially Affected by Merced to Fresno Alternatives Considered Technical Memorandum)
- **Item #5:** Additional Items (Stations, North-South Alignments, Wyes)

Item #1: Information on Farmland Impacts

Table 1 compares the impacts on Important Farmland along the north-south alignments only (i.e., the wyes are not included). The data shows that potential Important Farmland impacts would be least along the UPRR/SR 99 Alternative (A2) and greatest along the Hybrid and Western Madera (A3) alternatives. Impacts to Prime Farmland—the category with the highest value—are anticipated to be greater along the Western Madera Alternative (A3).

Important Farmland impacts are determined by overall length of the alternative (the BNSF [A1] and Hybrid alternatives are the longest), as well as by the quality of farmland along each alignment. The alternatives could result in loss of Important Farmland regardless of proximity to existing transportation corridors, although there is a higher presence of urban and built-up land, and thus less Important Farmland, near existing corridors. The advantage of locating the high-speed train (HST) tracks in proximity to existing corridors, essentially widening those corridors, is that the resulting impacts to farmland would be along the edge of the field or farm and would not bisect it, thus reducing the acreage of impact and the burden on farming operations from severed parcels (see Figure 1). The north-south alignments would minimize the occurrence of severance by following the existing UPRR/SR 99 or BNSF corridors.

Deviation from the existing corridors is necessary for the project to connect to the San Francisco Bay Area. This deviation would occur at one of the wye design options; all alternatives have to make this connection. The UPRR/SR 99 (A2) and BNSF (A1) alternatives would make these connections directly from existing corridors along either the Ave 24 Wye or the Ave 21 Wye. While the impacts from the Hybrid Alternative appear to be as high as those of other alternatives, it eliminates the alignment through Chowchilla by taking advantage of the Ave 24 Wye alignment, resulting in the shortest alternative (73 miles including the wye) compared to other alternatives (81 to 95 miles including the wyes) and reducing impacts on the urban areas of Chowchilla. Where the alternatives deviate from existing corridors, such as along the wye connections and the Western Madera Alternative (A3), parcel severance would occur that is highly disruptive to the agricultural community. This is demonstrated in Table 2 of the Checkpoint B Summary Report, which shows the number and acreage of severed parcels by alternative for the north-south alignment.

Table 1
Important Farmland Potentially Affected by Each HST Alternative

HST Alternative	Important Farmland				
	Prime Farmland (acres)	Farmland of Statewide Importance (acres)	Unique Farmland (acres)	Farmland of Local Importance (acres)	Total (acres)
Impact from Right-of-Way					
A1 - BNSF Alternative (64 miles)	112 to 141	48 to 58	138 to 157	39 to 70	337 to 426
A2 - UPRR/SR 99 Alternative (60 miles)	87	87	63	42	279
Hybrid Alternative (73 miles, including the wye)	110	149	215	63	537
A3 – Western Madera Alternative (46 miles)	214	140	104	53	512
A4 – Crossover Alternative (63 miles)	105	69	151	84	410
Impact from Right-of-Way Plus 250-Foot Buffer					
A1 - BNSF Alternative	930 to 1,357	587 to 755	1,508 to 1,768	333 to 524	3,359 to 4,405
A2 - UPRR/SR 99 Alternative	761	947	830	272	2,810
Hybrid Alternative	663	965	1,212	332	3,172
A3 – Western Madera Alternative	1,381	1,321	741	305	3,748
A4 – Crossover Alternative	1,154	747	1,194	479	3,574

Source: Merced, Madera and Fresno County Farmland Mapping and Monitoring Program (FMMP) (2009).

Data Source Notation:

While the U.S. Environmental Protection Agency (EPA) requested farmland data as used by the Natural Resources Conservation Service (NRCS) under the Department of Agriculture, the response relies on FMMP data for the following reasons:

1. FMMP data has been used throughout the process and allows comparison with all other data generated to date.
2. According to Bill Reed/NRCS (personal communication with Karin Lilienbecker/CH2M HILL, May 11, 2011), a GIS layer with farmland classifications is not available.
3. The land evaluation and site assessment conducted for the Merced to Fresno Section reports data by corridor contained in a certain county so that using the data to calculate different alignments over the distance of the Merced to Fresno Section is not possible.

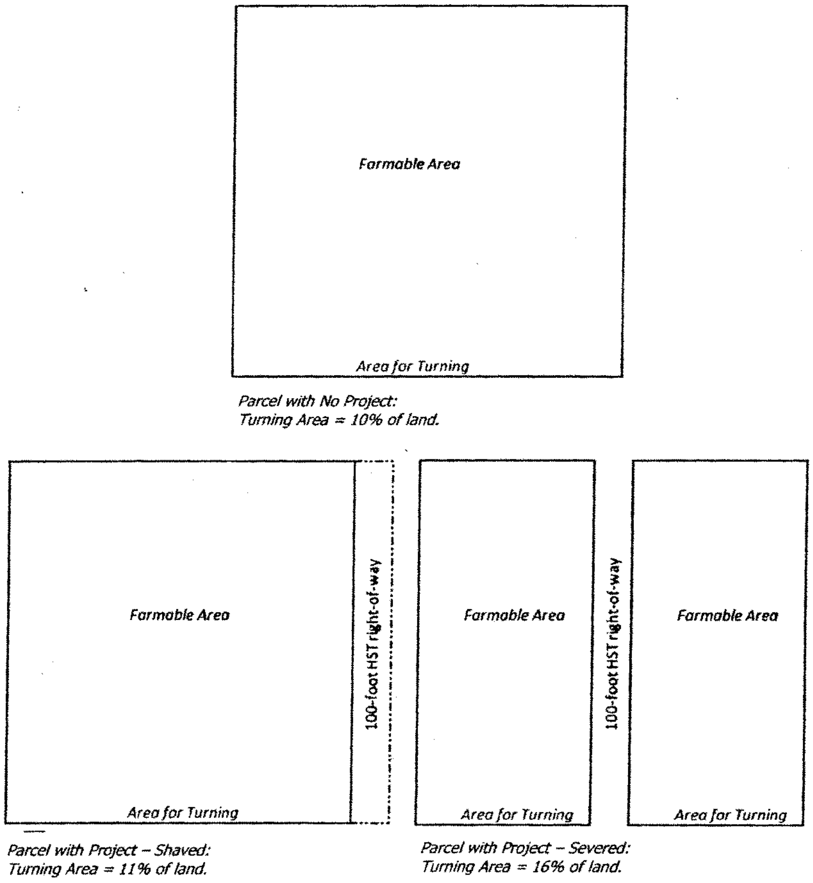

Farmable Area
Area for Turning
Parcel with No Project:
Turning Area = 10% of land.
Farmable Area
100-foot HST right-of-way
Area for Turning
Parcel with Project – Shaved:
Turning Area = 11% of land.
Farmable Area
100-foot HST right-of-way
Farmable Area
Area for Turning
Area for Turning
Parcel with Project – Severed:
Turning Area = 16% of land.

Figure 1
Land Required for Turning

Item #2: Roadway Closures Associated with the Western Madera Alternative (A3)

Table 2 provides an overview of how the conceptual alternatives would interact with other transportation corridors. It was assumed that HST would cross over state routes, but in some cases, extending an existing state route interchange or overcrossing was considered to be more prudent. Due to the number and nature of local roadways, many smaller roadways are suggested to be closed, but, for this evaluation, a standard consistent with California Department of Transportation (Caltrans) policy was applied, maintaining access every 2 miles with a roadway overcrossing the HST. The Western Madera Alternative (A3) would have the most local and county road closures because it would diagonally traverse the agricultural grid. In addition, the Western Madera Alternative (A3) would also require the highest number new overcrossings, nearly double any other alternative. Overcrossings do not easily facilitate the need of agricultural operations to move large equipment from one side of the railroad barrier to the other side. An overcrossing may minimize the barrier, but farmers may still need to duplicate machinery, regrade their fields, and change irrigation systems in order to continue operations efficiently. Therefore, while crossings and overcrossings do provide access, they are considered impacts on the agricultural community.

Table 2
Crossing by Alternative

	BNSF	**UPRR/ SR 99**	**Western Madera**	**Crossover**	
	A1	**A2**	**A3**	**A4**	**Hybrid**
Engineering Design Elements					
State Roads and Railroad Crossings					
SR 99[a]	4	4	4	4	4
SR 152/ SR 233[b]	0/1	0/1	1/0	0	0/1
UPRR	2	3	2	2	5
BNSF	0	0	0	0	0
Number of County/Local Road Closures/Modifications					
Closures	24	22	39	26	22
Extension of overcrossings	1	11	3	3	3
New Overcrossings	21	7	38	19	22
New Undercrossings	0	0	0	0	0

[a] All alternatives also cross over SR 148/145.

[b] Only the Ave 24 Wye would cross over SR 233 and SR 152 for Alternatives A1 and A2, whereas the A3 and Hybrid alternative north-south alignment would cross over SR 152 or SR 233.

Item #3: Acres Affected by Size of Farm Property along the Western Madera Alternative (A3)

EPA requested information regarding relative impacts on small, mid-sized, and large farms to determine socioeconomic effects. However, such information cannot be readily developed because of data limitations, as listed below:

1. Data collected is limited to parcels that would be affected by the alternatives. It does not reveal whether adjacent or noncontiguous parcels held under the same ownership would change the category of an affected land holding to large, medium, or small.
2. There are numerous properties that do not have named ownership, according to county assessor data.
3. Not all land holdings are necessarily farms; they may contain residences or other uses—such as railroad-owned lands or preservation lands. The owner name does not necessarily allow conclusion about land use.
4. The percentage of total lands for one property owner affected can be misleading. As shown below, 1.04 acres represents 31% of the total land area for one property owner, whereas 11.84 acres of impact only represents 1.6% of another property owner (this is a true situation, but the name has been changed). Furthermore, the three properties identified below could be considered to belong to the same owner.

Name	Impacted Area	Percent of Total Land Owned
Property Owner A	1.04 acres	31.0%
Property Owner B	6.87 acres	4.3%
Property Owner C	11.84 acres	1.6%

5. The EPA did not provide parameters for classifying small, mid-sized, and large farm operations.
6. The percentage does not explain the relative impact on the agricultural community, because there are other impacts associated with property acquisition on the agricultural community. There is a possibility that the acquisition would sever the land, thereby creating other hardships on the entire farm, including rebuilding the irrigation system, need for additional equipment, inefficient shape of land, or ineffective farming. In addition, the cumulative impact of a new transportation corridor could lead to further reduction of farmable lands since a farm typically requires a perimeter roadway for farm equipment and utilities commonly follow transportation corridors, resulting in less useable property along the edge of the farm. Therefore, the total area of reduction on a farm may be more than the permanent acquisition area for the project.

Conclusions drawn about socioeconomic impacts on farm operations of different sizes based on vague or inconclusive data would be misleading and potentially erroneous and controversial. Nevertheless, the concerns about impacts on farmlands have long been recognized by the Authority. To address concerns regarding severance of farmland (and concerns about other environmental effects, such as on natural resources), the Authority has included as part of the project's Purpose and Need, and as concurred with by the EPA and the U.S. Army Corps of Engineers (USACE) (on January 20, 2011. and February 2, 2011, respectively) an objective "to follow existing transportation corridors to the extent possible."

Item #4: Clarification of Data in Attachment 3 of the Summary Report (Aquatic and Waters of the US Potentially Affected by Merced to Fresno Alternatives Considered Technical Memorandum)

Comments from EPA questioned potential inconsistencies in the wetland acreages presented in Tables 1 and 2 of Attachment 3 to the Summary Report, particularly, for the Kojima Development Heavy Maintenance Facility (HMF) site. For the Kojima Development HMF, Table 1 indicates that there are 0.51 acre of wetlands in the wetland study area (WSA), and Table 2 indicates 0.75 acre for the—presumably smaller—construction footprint. However, as mentioned in footnote c of Table 2, the GIS calculations are set up to "favor" the HST track over the HMF sites, which may or may not be built at any particular location. Figure 2 explains how the calculations are set up.

Item #5: Additional Items (Stations, North/South Alignments, Wyes)

Stations

As described in the Checkpoint B package, three station sites in Merced were considered as part of the range of alternatives. From the analysis presented in the AA Report and described in Checkpoint B, the Downtown Merced Station best satisfies purpose and need and provides the best access to SR 99 and the public transit system, and has the fewest residential impacts.

Existing multi-modal stations like Diridon Station in San Jose and Union Station in Los Angeles represent major transportation hubs that bring together local, regional, and interregional transportation services. To promote connectivity to the larger transportation system, the Authority has always assumed that the high-speed train (HST) would serve these existing stations. In other areas that lack an existing transportation hub, the regional teams are working with local communities to identify one or more potential station sites. Again, these station sites are to be described and evaluated in the AA Report, in Checkpoint B, and the EIR/EIS.

With regard to your question regarding the 404(b)(1) analysis, Checkpoint B includes this evaluation and has been prepared as a stand-alone document. Checkpoint B is also referred to in the text as part of Chapter 2, Alternatives, of the Merced to Fresno Section EIR/EIS.

North/South Alignments

At your request, the Merced to Fresno team has compiled information on agricultural and water impacts for the portion of the UPRR, Hybrid and Western Madera alternatives from a common point where the alternatives diverge north of Chowchilla to the San Joaquin River. Therefore, none of the data include the BNSF alternative.

Important Farmland (without buffer)

HST Alternative	Prime Farmland	Farmland of Statewide Importance	Farmland of Local Importance	Unique Farmland
UPRR Alternative	54 to 60	64 to 118	8 to 12	56 to 100
Hybrid Alternative	77	131	29	213
Western Madera Alternative	164	124	3	102
Cross-over Alternative	55	53	35	149

Note: Rounded to the nearest acre.

FMMP, 2009.

Important Farmland (with 250 ft buffer)

HST Alternative	Prime Farmland	Farmland of Statewide Importance	Farmland of Local Importance	Unique Farmland
UPRR Alternative	323 to 340	404 to 602	51 to 59	345 to 528
Hybrid Alternative	377	594	141	1,032
Western Madera Alternative	979	734	24	613
Cross-over Alternative	354	321	200	1,025

Note: Rounded to the nearest acre.

FMMP, 2009.

Number of Water Crossings

HST Alternative	Stream	Canal/Ditch	Total
UPRR/SR99 Alternative	15	11	26
Hybrid Alternative	12	23	35
Western Madera Alternative	9	31	40
Cross-over Alternative	12	11	23

Note: Data does not include the San Joaquin River itself.

National Hydrography Dataset, 2010.

Wyes

As described in the Preliminary Alternatives Analysis (AA) and Supplemental AA Reports previously provided, the Authority evaluated several different wye configurations to establish a connection from the San Francisco Bay Area via the Pacheco Pass to the UPRR or BNSF alternatives between Merced and Fresno. As a result of this earlier work, two wye options are presently being carried into the EIR/EIS, one providing a connection utilizing Ave 21, the other using Ave 24.

To better clarify the wye alternatives being evaluated as part of the San Jose to Merced and Merced to Fresno sections, the Authority would propose to host a conference call with EPA and the Corps to discuss the issue the week of May 23. We agree with your comment about the need to evaluate the wyes and their relationship with the two HST sections holistically.

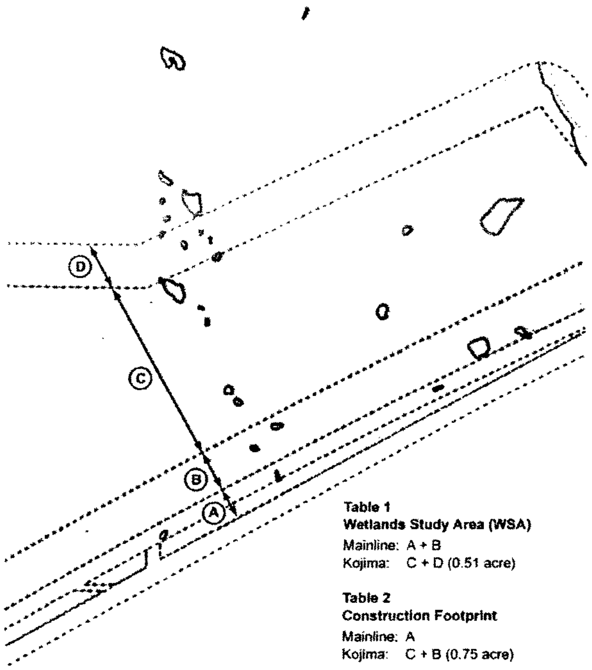


Table 1
Wetlands Study Area (WSA)
Mainline: A + B
Kojima: C + D (0.51 acre)

Table 2
Construction Footprint
Mainline: A
Kojima: C + B (0.75 acre)

B was counted as part of the mainline because the HMF might not be built at the Kojima site. This avoids double counting of wetlands in the WSA.

The difference in acreage between the wetlands in B and D is 0.24 acre.

The wetlands area in B is greater than the area in D.

Figure 2
Wetland Acreage Calculations at Kojima Development HMF Site, for Tables 1 and 2 of Summary Report Attachment 3

Van Nostrand, Christopher (FRA)

From: Farid.Nobari[redacted]
Sent: Thursday, May 19, 2011 9:37 PM
To: Valenstein, David (FRA); Koby[redacted]; dleavit[redacted]; Danae.Aitchison[redacted]; Kennerley[redacted]; Karin.Lilienbecker[redacted]; Jodi.Ketelsen[redacted]; Porter[redacted]; DuMond, Melissa (FRA); jabercrombie[redacted]
Cc: Popoff@[redacted]; Richard.Wenzel[redacted]; SiuW@[redacted]
Subject: RE: WYE connection

Categories: Red Category

On 2 of the questions you asked, let me offer the following:

- The alignment of the Merced-Fresno Wye is being further engineered and will be closer to the Fresno-SJ curve. The graphics was conceptual to highlight the extent of the independent/separate hybrid connection from Fresno-SJ curve.
- Please note the quantities of the mileage are very rough graphically measured approximations. As engineering gets refined, these lengths will get adjusted. But to answer your question, the lengths approximate the yellow highlights in the figures. The intent was to measure lengths to common points (north and south common points) and on the west measure to Rd 8 as wyes have been defined that way in the analyses. So net increases will be captured.

We will update the graphics and the tables as soon as engineering is further refined than the initial concept level.

Thanks.

Farid Nobari, P.E.
CH2MHILL

Office: [redacted]
Direct: [redacted]
[redacted]

From: david.valenstein@[redacted] [mailto:[redacted]]
Sent: Thursday, May 19, 2011 3:15 PM
To: Koby@[redacted]; dleavitt@[redacted]; Danae.Aitchison@[redacted]; Kennerley@[redacted]; Lilienbecker, Karin /RDD; Ketelsen, Jodi/SEA; Porter@[redacted]; melissa.dumond[redacted]; jabercrombie@[redacted]
Cc: Popoff@[redacted]; Richard.Wenzel[redacted]; Nobari, Farid/SAC; SiuW@[redacted]
Subject: RE: WYE connection

A few comments:

The issue at hand is not about finding an optimal hybrid alternative, it is to allow for hybrid north-south Alts. that don't constrain the east-west choice between Ave 24 and Ave 21.

EC-Ave 24 Hybrid is not needed as there already is a hybrid alt for Ave 24.

EC-Ave 21 Hybrid is needed to allow for selection of Ave 21 alignment instead of Ave 24. Need an answer by Monday if work can be done in the next month to incorporate this variant and what this would entail. Need to know if all property owners affected by this variant have been notified about process.

Can parallel tracks for the Merced-Fresno connection hug the SJ-Fresno tracks until the reverse curve?

Does length within wye area account for the total net change in track length of the system for Ave 24 vs. Ave 21?

David

From: Koby, Ann [mailto:[redacted]]
Sent: Thursday, May 19, 2011 8:34 AM
To: Dan Leavitt; Danae J. Aitchison; Kennerley, Gary; Karin Lilienbecker; Jodi Ketelsen; Porter, Bryan; Valenstein, David (FRA); DuMond, Melissa (FRA); Jeff Abercrombie
Cc: Popoff, John; Wenzel, Richard; Farid.Nobari@[redacted]; Siu, Wai-on
Subject: RE: WYE connection

<<NewHybridConenction Techmemo 20110510_rev3.pdf>>

Additional information for today's teleconference

-----Original Appointment-----
From: Koby, Ann
Sent: None
To: 'Dan Leavitt'; 'Danae J. Aitchison'; Kennerley, Gary; 'Karin Lilienbecker'; 'Jodi Ketelsen'; 'Jabercrombie@[redacted]'; Porter, Bryan; Valentine, Peter; 'David Valenstein'; 'Melissa DuMond'
Cc: Popoff, John; 'Wenzel, Richard'; 'Farid.Nobari@[redacted]; Siu, Wai-on; Jeff Abercrombie
Subject: WYE connection
When: Thursday, May 19, 2011 11:00 AM-12:00 PM (GMT-06:00) Central Time (US & Canada).
Where: 877 829 8910. I'd 2323946

NOTICE: This communication and any attachments ("this message") may contain confidential information for the sole use of the intended recipient(s). Any unauthorized use, disclosure, viewing, copying, alteration, dissemination or distribution of, or reliance on this message is strictly prohibited. If you have received this message in error, or you are not an authorized recipient, please notify the sender immediately by replying to this message, delete this message and all copies from your e-mail system and destroy any printed copies.

Van Nostrand, Christopher (FRA)

From: Porter, Bryan [Porter@[redacted]]
Sent: Wednesday, June 15, 2011 12:54 PM
To: Koby, Ann; Valenstein, David (FRA); DuMond, Melissa (FRA); LJimenez@[redacted] Danae.Aitchison@[redacted] james.andrew@[redacted]
Subject: Fw: Merced to Fresno Checkpoint B Letter
Attachments: Checkpoint B Agree SPK-2009-1483 signed.pdf

From: Simmons, Zachary M SPK <[redacted]
To: Dan Leavitt <dleavitt@[redacted]>
Cc: Porter, Bryan
Sent: Wed Jun 15 12:50:22 2011
Subject: Merced to Fresno Checkpoint B Letter

Dan,

I have attached a signed copy of our checkpoint B agreement letter for the Merced to Fresno Segment. The paper copy will be in the mail today.

Please contact me if have any questions.

Thanks,

Zachary M. Simmons
Biologist / Senior Regulatory Project Manager

U.S. Army Corps of Engineers, Sacramento District, Regulatory Division
650 Capitol Mall, Suite 5-200
Sacramento, CA 95814
[redacted]

Please let me know about your experience by filling out our Customer Survey:
http://per2.nwp.usace.army.mil/survey.html

For more information regarding our program, please visit our website at:
http://www.spk.usace.army.mil/regulatory/

NOTICE: This communication and any attachments ("this message") may contain confidential information for the sole use of the intended recipient(s). Any unauthorized use, disclosure, viewing, copying, alteration, dissemination or distribution of, or reliance on this message is strictly prohibited. If you have received this message in error, or you are not an authorized recipient, please notify the sender immediately by replying to this message, delete this message and all copies from your e-mail system and destroy any printed copies.

DEPARTMENT OF THE ARMY
U.S. ARMY ENGINEER DISTRICT, SACRAMENTO
CORPS OF ENGINEERS
1325 J STREET
SACRAMENTO CA 95814-2922

REPLY TO
ATTENTION OF

June 14, 2011

Regulatory Division (SPK-2009-01483)

Mr. Dan Leavitt
California High Speed Rail Authority
925 L Street
Sacramento, California 95814

Dear Mr. Leavitt:

I am writing in response to your January 26, 2011, Checkpoint B Package, and the April 22, 2011 Checkpoint B Summary Report for the proposed Merced to Fresno segment of the California High-Speed Train ("CHST") Project. In accordance with our *National Environmental Policy Act/Clean Water Act Section 404/Rivers and Harbors Act Section 14 Integration Process for the California High-Speed Train Program Memorandum of Understanding* dated November 2010 (NEPA/404/408 MOU). This letter is our formal response.

As a cooperating agency for preparation of the Merced to Fresno Environmental Impact Report/Environmental Impact Statement (EIR/EIS) and in fulfillment of our responsibilities under the NEPA/404/408 MOU, we offered feedback to the Federal Railroad Administration as well as the California High-Speed Rail Authority ("Authority") on the range of alternatives during meetings on January 28, March 14, May 17, and May 24, 2011 as well as direct communication with your staff and consultants. The Authority has provided additional information and clarification per our requests. The alternatives were evaluated based on the ability to meet the project purpose and the project performance objectives and evaluation measures presented in the April 2010, *Preliminary Alternatives Analysis Report.*

After reviewing the data provided, including screening criteria and support information, we agree the following alternatives should be carried forward as part of the reasonable range of alternatives to be studied in the EIR/EIS:

1. Stations
    a) Merced Downtown Station.

2. East-West Alignments
    a) Henry Miller/Ave 24
    b) South SR 152 (Ave 21)

3. Heavy Maintenance Facility
    a) Castle Commerce Center
    b) Harris-Dejager
    c) Gordon-Shaw
    d) Fangundes
    e) Kojima Development

4. North-South Alignments
    a) UPRR/SR 99 (A2)
    b) Hybrid
    c) BNSF (A1)

Although we agree the BNSF (A1) alternative and Kojima Development Heavy Maintenance Facility (HMF) site can be carried forward, we note these alternatives are not likely to comply with the requirements of the 404(b)(1) Guidelines ("Guidelines") due to substantial impacts to waters of U.S., including wetlands. Under the Guidelines, no discharges of dredged or fill material into waters of the U.S., including wetlands, can occur unless it can be demonstrated that such discharges, either individually or cumulatively, will not result in an unacceptable adverse impact on the aquatic ecosystem. The Guidelines specifically require that no discharge of dredged or fill material shall be permitted if there is a practicable alternative to the proposed discharge, which would have less adverse impact on the aquatic ecosystem, so long as the alternative does not have other significant adverse environmental consequences. When considering practic~~ability~~, the Guidelines define practicable alternative as one that is available and capable of being done after taking into consideration cost, existing technology, and logistics in light of the overall project purpose [40 C.F.R. § 230.3(q)]. Based on the information provided in the Checkpoint B materials and the February 2011, *Draft Wetlands Delineation Report: Merced to Fresno Section*, the BNSF Alternative contains a substantial number of vernal pools (19.5 acres), seasonal wetlands (21.8 acres), vernal pool critical habitat, and agricultural impacts, not present within the other alignments. The Kojima Development site would result in the impacts to approximately 0.75 acre of vernal pools and seasonal wetlands while no other HMF site would result in impacts to these features. Since it has been shown that there are other practicable alternatives which have fewer impacts to the aquatic ecosystem the Corps would have to permit those alternatives over the BNSF (A1) alternative and the Kojima Development site.

We do not agree that the Western Madera (A3) and SR 152 WYE Connection alternatives should be eliminated from the EIR/EIS. Although the Western Madera alternative is reported to have more impacts to agricultural lands due to the divergence from transportation corridors, the data provided shows that this alternative only severs 4.5% more acres than the Hybrid alternative. This alternative impacts 52% (73 acres) more Prime farmland, but impacts 52% (111 acres) less Unique farmland. The agricultural impacts appear to be similar to other alternatives while resulting in fewer community impacts and impacts to the aquatic ecosystem and vernal pool critical habitat. The SR 152 WYE Connection Alternatives should also be carried forward because a cost comparison has not been provided to substantiate the assertion that it could cost twice as much as any other alternative. This alternative would avoid aquatic and biological resources resulting in impacts to 85% (2.2 acres) less lakes/ponds/streams, 85% (2.3 acres) percent less swamps/marshes, 62% (8 acres) less vernal pool complexes, 46% (11 acres) less wetland habitat, and 24% (73 acres) less San Joaquin kit fox range. Due to the lack of data on estimated costs related to the re-construction of SR 152, this alternative should be carried forward due to the lower impacts to aquatic and biological resources.

We appreciate the opportunity to provide input on the range of alternatives and look forward to your letter identifying the status of each alternative that we did not agree. If you have any questions, please contact Mr. Zachary Simmons at our California South Branch Office, 650 Capitol Mall, Suite 5-200, Sacramento, California 95814-4708, email *Zachary.M.Simmons@usace.army.mil*, or telephone 916-557-6746. For more information regarding our program, please visit our website at *www.spk.usace.army.mil/regulatory.html*.

Sincerely,

Michael S. Jewell
Chief, Regulatory Division

Copies Furnished

Mr. David Valenstein, Federal Railroad Adminstration, 1200 New Jersey Avenue SE- Mail Stop 20, Washington, D.C. 20590-0001
Ms. Connell Dunning, U.S. Environmental Protection Agency, Region IX, 75 Hawthorne Street, San Francisco, California 94105
Mr. Jason Brush, U.S. Environmental Protection Agency, Region IX, 75 Hawthorne Street, San Francisco, California 94105
Mr. Bryan Porter, Parsons Brinckerhoff, 925 L Street, Suite 1425, Sacramento, California 95814-3704

Questions for the Record to
FRA Administrator Joe Szabo
on the
December 15, 2011 House Hearing on
California High Speed Rail

Question From House T&I majority

1. *QUESTION: At the hearing on December 15, 2011, you stated that the California Legislative Analyst's Office (LAO) has not engaged FRA on the project reviews it has conducted and that it does not understand the project. Please set forth and provide copies of all attempts the FRA has made to communicate with or engage the LAO and all responses of the LAO to those communications.*
    - *In a letter to you dated December 20, 2011, Mac Taylor, California's Legislative Analyst, stated that "Since February 2010, [the Legislative Analyst's Office has] had numerous helpful discussions with [FRA] staff." How do you reconcile that statement with your claim at the December 15, 2011 hearing that the LAO has not engaged FRA?*

RESPONSE: The underlying issue I was trying to raise was that—as the federal funding partner—the FRA leadership team was not consulted by the LAO for their report on the development of high-speed rail in California published in May 2011. Though there were staff-level conversations with FRA regarding general program guidance and NEPA requirements, the LAO never contacted FRA leadership for input on the project as a whole or the conclusions drawn in the May 2011 LAO report. This contrasts with our experience working with the Department's Office of the Inspector General and the Government Accountability Office which typically provide FRA with notice of the initiation of a new assignment, schedule entrance and exit conferences to brief the agency staff and leadership and to gain their insight, and then provide the agency with a copy of the draft final report for review and comment before publishing. As part of our commitment to providing the Committee with timely and accurate data, we are providing copies of all correspondences between FRA and the LAO identified to date. Please see Attachment.

Questions from Congresswoman Corrine Brown

1. *QUESTION: Mr. Szabo - Did the LAO ever discuss with FRA leadership the specific concerns it raised in its reports to the State legislature?*

The LAO did not contact the FRA leadership team regarding the concerns it raised in the reports to the State legislature. The LAO did contact a member of my staff via email and over the phone regarding general high-speed rail program guidance and National Environmental Policy Act requirements. However, neither the LAO's questions nor the answers provided by my staff were regarding the conclusions drawn by the LAO in its May 2011 report. For the Committee's information, I have attached copies of the FRA correspondence with the LAO that we have identified to date. Please see Attachment.

2. *QUESTION: Mr. Szabo - Did the LAO discuss with anyone at the FRA the conclusions it reached in its reports to the State legislature?*

   RESPONSE: Based on a search of emails and discussions with FRA staff working on the California High Speed Rail Project, we have not identified any correspondence or conversations with the LAO relating to the conclusions made by the California LAO in its May 2011 report. This contrasts with our experience working with the Department's Office of the Inspector General and the Government Accountability Office which typically provide FRA with notice of the initiation of a new assignment, schedule entrance and exit conferences to brief the agency staff and leadership and to gain their insight, and then provide the agency with a copy of the draft final report for review and comment before publishing.

3. *QUESTION: Mr. Szabo - Were your answers to the questions at the December 15 hearing regarding the LAO's contacts with FRA based on your personal knowledge at the time of the hearing?*

   RESPONSE: Yes. My response regarding the lack of consultation by the LAO with FRA was focused on the lack of coordination with FRA leadership with regard to the conclusions reached and issues identified in the reports. As discussed above, the LAO staff did consult with FRA program staff regarding several background questions related to FRA high-speed rail program guidance and the environmental review process.

Fashouer, William (FRA)

From: Thronson, Eric [redacted]
Sent: Thursday, February 25, 2010 12:03 PM
To: DuMond, Melissa (FRA)
Subject: Track 2 grant award questions

Ms. Dumond,

I have two quick clarifying questions I hope you can help me with concerning the Track 2 awards from the ARRA HSIPR Program.

1) I'm unclear about the various deadlines attached to the Track 2 awards. Page 37 of the June Interim Guidance states that the Track 2 grants must be obligated by September 30, 2011 and fully expended by Sept 30, 2017. But the ARRA legislation indicates that the $8 billion shall "remain available through September 30, 2012." Can you explain the difference and clarify to what each deadline is referring?

2) Are the Track 2 grant awards going to be administered as reimbursements, similar to FTA grants, or are they straight cash awards?

Thank you so much. If you have any questions, please let me know. If you don't know the answer to either question yet, that's ok, just let me know. I really appreciate your time and help--

Eric J. Thronson
Fiscal & Policy Analyst
Legislative Analyst's Office
California State Legislature
925 L Street, Suite 1000
Sacramento, CA 95814
Telephone: [redacted]
Email: [redacted]

Fashouer, William (FRA)

From:	DuMond, Melissa
Sent:	Friday, February 26, 2010 3:09 PM
To:	'Thronson, Eric'
Cc:	Valenstein, David (FRA); 'bill.bronte[redacted]
Subject:	RE: Track 2 grant award questions

Hi Eric,

The Federal Railroad Administration's High Speed Intercity Passenger Rail Program funding for Track 2 will be obligated by September 30, 2011, one year ahead of the ARRA legislation deadline to have the $8 billion obligated by September 30, 2012. The grant awards will be administered as reimbursements. Projects funded under Track 2 must be completed (includes reimbursements) by September 30, 2017.

I hope this helps. Please feel free to call or email if you have additional questions.

Best,

Melissa Elefante DuMond, AICP
Environmental Protection Specialist
Office of Passenger and Freight Programs
Federal Railroad Administration
1200 New Jersey Avenue, SE
Washington, DC 20590
[redacted]

From: Thronson, Eric [redacted]]
Sent: Thursday, February 25, 2010 12:03 PM
To: DuMond, Melissa
Subject: Track 2 grant award questions

Ms. Dumond,

I have two quick clarifying questions I hope you can help me with concerning the Track 2 awards from the ARRA HSIPR Program.

1) I'm unclear about the various deadlines attached to the Track 2 awards. Page 37 of the June Interim Guidance states that the Track 2 grants must be obligated by September 30, 2011 and fully expended by Sept 30, 2017. But the ARRA legislation indicates that the $8 billion shall "remain available through September 30, 2012." Can you explain the difference and clarify to what each deadline is referring?

2) Are the Track 2 grant awards going to be administered as reimbursements, similar to FTA grants, or are they straight cash awards?

Thank you so much. If you have any questions, please let me know. If you don't know the answer to either question yet, that's ok, just let me know. I really appreciate your time and help--

Eric J. Thronson
Fiscal & Policy Analyst
Legislative Analyst's Office
California State Legislature

Fashouer, William (FRA)

From: Thronson, Eric [redacted]
Sent: Friday, February 26, 2010 3:29 PM
To: DuMond, Melissa (FRA)
Subject: RE: Track 2 grant award questions

Thank you, this is very helpful! Hope you have a great weekend--

From: melissa.dumond[redacted]
Sent: Friday, February 26, 2010 12:09 PM
To: Thronson, Eric
Cc: david.valenstein[redacted] bill.bront[redacted]
Subject: RE: Track 2 grant award questions

Hi Eric,

The Federal Railroad Administration's High Speed Intercity Passenger Rail Program funding for Track 2 will be obligated by September 30, 2011, one year ahead of the ARRA legislation deadline to have the $8 billion obligated by September 30, 2012. The grant awards will be administered as reimbursements. Projects funded under Track 2 must be completed (includes reimbursements) by September 30, 2017.

I hope this helps. Please feel free to call or email if you have additional questions.

Best,

Melissa Elefante DuMond, AICP
Environmental Protection Specialist
Office of Passenger and Freight Programs
Federal Railroad Administration
1200 New Jersey Avenue, SE
Washington, DC 20590
[redacted]

From: Thronson, Eric [redacted]
Sent: Thursday, February 25, 2010 12:03 PM
To: DuMond, Melissa
Subject: Track 2 grant award questions

Ms. Dumond,

I have two quick clarifying questions I hope you can help me with concerning the Track 2 awards from the ARRA HSIPR Program.

1) I'm unclear about the various deadlines attached to the Track 2 awards. Page 37 of the June Interim Guidance states that the Track 2 grants must be obligated by September 30, 2011 and fully expended by Sept 30, 2017. But the ARRA legislation indicates that the $8 billion shall "remain available through September 30, 2012." Can you explain the difference and clarify to what each deadline is referring?

2) Are the Track 2 grant awards going to be administered as reimbursements, similar to FTA grants, or are they straight cash awards?

Thank you so much. If you have any questions, please let me know. If you don't know the answer to either question yet, that's ok, just let me know. I really appreciate your time and help--

Eric J. Thronson
Fiscal & Policy Analyst
Legislative Analyst's Office
California State Legislature
925 L Street, Suite 1000
Sacramento, CA 95814
Telephone: [redacted]
Email: [redacted]

Fashouer, William (FRA)

From: Thronson, Eric [redacted]
Sent: Thursday, March 18, 2010 6:43 PM
To: DuMond, Melissa (FRA)
Subject: RE: Track 2 grant award questions

Hi Melissa,

Sorry to bother you, but I want to be sure I understand what steps the state will have to take to obligate the track 2 funds. The FAQ for the Interim Guidance released last summerindicates in the response to Question #23:

"FRA will obligate funds as soon as a grant or cooperative agreement between FRA and selected applicants is complete.'

Does this mean the track 2 funds, required to be obligated by September 30, 2011, only need a cooperative agreement between FRA and the applicant in order to meet this obligation deadline? The usually required elements for obligation of federal funds on transportation projects, such as completed environmental work and right-of-way certification, are not required to meet the obligation deadline, is that correct?

Thank you for the clarification. I look forward to hearing from you soon!

Eric

From: melissa.dumond[redacted]
Sent: Friday, February 26, 2010 12:09 PM
To: Thronson, Eric
Cc: david.valenstein[redacted]bill.bronte[redacted]
Subject: RE: Track 2 grant award questions

Hi Eric,

The Federal Railroad Administration's High Speed Intercity Passenger Rail Program funding for Track 2 will be obligated by September 30, 2011, one year ahead of the ARRA legislation deadline to have the $8 billion obligated by September 30, 2012. The grant awards will be administered as reimbursements. Projects funded under Track 2 must be completed (includes reimbursements) by September 30, 2017.

I hope this helps. Please feel free to call or email if you have additional questions.

Best,

Melissa Elefante DuMond, AICP
Environmental Protection Specialist
Office of Passenger and Freight Programs
Federal Railroad Administration
1200 New Jersey Avenue, SE
Washington, DC 20590
[redacted]

From: Thronson, Eric [mailto[redacted]]
Sent: Thursday, February 25, 2010 12:03 PM
To: DuMond, Melissa
Subject: Track 2 grant award questions

Ms. Dumond,

I have two quick clarifying questions I hope you can help me with concerning the Track 2 awards from the ARRA HSIPR Program.

1) I'm unclear about the various deadlines attached to the Track 2 awards. Page 37 of the June Interim Guidance states that the Track 2 grants must be obligated by September 30, 2011 and fully expended by Sept 30, 2017. But the ARRA legislation indicates that the $8 billion shall "remain available through September 30, 2012." Can you explain the difference and clarify to what each deadline is referring?

2) Are the Track 2 grant awards going to be administered as reimbursements, similar to FTA grants, or are they straight cash awards?

Thank you so much. If you have any questions, please let me know. If you don't know the answer to either question yet, that's ok, just let me know. I really appreciate your time and help--

Eric J. Thronson
Fiscal & Policy Analyst
Legislative Analyst's Office
California State Legislature
925 L Street, Suite 1000
Sacramento, CA 95814
[redacted]
Email: [redacted]

Fashouer, William (FRA)

From: DuMond, Melissa
Sent: Tuesday, March 23, 2010 10:33 AM
To: 'Thronson, Eric'
Cc: 'Eastin, Lena (US - Washington D.C.)'; Davis, Wynne (FRA)
Subject: RE: Track 2 grant award questions

Hi Eric,

FRA will obligate funds for a selected HSIPR project once all the elements of a grant agreement are completed. The obligation deadline is September 30, 2011. This includes environmental clearance and other documents detailed in the example Notice of Grant Award on our HSIPR web page (see: http://www.fra.dot.gov/Pages/473.shtml) and detailed in the Interim Guidance (see: http://www.fra.dot.gov/downloads/RRDev/fr_hsipr_guidance.pdf).

For Track 2 projects, in the near term FRA may issue a Letter of Interest for Service Development Programs and make subsequent obligations for program components through cooperative agreements. Up to September 30, as milestones under an LOI are reached, FRA would obligate funding to implement approved portions of the program through a cooperative agreement. (see LOI FAQ at: http://www.fra.dot.gov/Pages/2377.shtml).

Best,

Melissa Elefante DuMond, AICP
Environmental Protection Specialist
Office of Passenger and Freight Programs
Federal Railroad Administration
1200 New Jersey Avenue, SE
Washington, DC 20590
[redacted]

From: Thronson, Eric [redacted]
Sent: Thursday, March 18, 2010 6:43 PM
To: DuMond, Melissa
Subject: RE: Track 2 grant award questions

Hi Melissa,

Sorry to bother you, but I want to be sure I understand what steps the state will have to take to obligate the track 2 funds. The FAQ for the Interim Guidance released last summerindicates in the response to Question #23:

"FRA will obligate funds as soon as a grant or cooperative agreement between FRA and selected applicants is complete."

Does this mean the track 2 funds, required to be obligated by September 30, 2011, only need a cooperative agreement between FRA and the applicant in order to meet this obligation deadline? The usually required elements for obligation of federal funds on transportation projects, such as completed environmental work and right-of-way certification, are not required to meet the obligation deadline, is that correct?

Thank you for the clarification. I look forward to hearing from you soon!

Eric

From: melissa.dumond[redacted]
Sent: Friday, February 26, 2010 12:09 PM
To: Thronson, Eric
Cc: david.valenstein[redacted] bill.bronte[redacted]
Subject: RE: Track 2 grant award questions

Hi Eric,

The Federal Railroad Administration's High Speed Intercity Passenger Rail Program funding for Track 2 will be obligated by September 30, 2011, one year ahead of the ARRA legislation deadline to have the $8 billion obligated by September 30, 2012. The grant awards will be administered as reimbursements. Projects funded under Track 2 must be completed (includes reimbursements) by September 30, 2017.

I hope this helps. Please feel free to call or email if you have additional questions.

Best,

Melissa Elefante DuMond, AICP
Environmental Protection Specialist
Office of Passenger and Freight Programs
Federal Railroad Administration
1200 New Jersey Avenue, SE
Washington, DC 20590
[redacted]

From: Thronson, Eric [redacted]
Sent: Thursday, February 25, 2010 12:03 PM
To: DuMond, Melissa
Subject: Track 2 grant award questions

Ms. Dumond,

I have two quick clarifying questions I hope you can help me with concerning the Track 2 awards from the ARRA HSIPR Program.

1) I'm unclear about the various deadlines attached to the Track 2 awards. Page 37 of the June Interim Guidance states that the Track 2 grants must be obligated by September 30, 2011 and fully expended by Sept 30, 2017. But the ARRA legislation indicates that the $8 billion shall "remain available through September 30, 2012." Can you explain the difference and clarify to what each deadline is referring?

2) Are the Track 2 grant awards going to be administered as reimbursements, similar to FTA grants, or are they straight cash awards?

Thank you so much. If you have any questions, please let me know. If you don't know the answer to either question yet, that's ok, just let me know. I really appreciate your time and help--

Eric J. Thronson
Fiscal & Policy Analyst
Legislative Analyst's Office
California State Legislature
925 L Street, Suite 1000
Sacramento, CA 95814

Fashouer, William (FRA)

From: Thronson, Eric [redacted]
Sent: Tuesday, March 23, 2010 11:18 AM
To: DuMond, Melissa (FRA)
Subject: RE: Track 2 grant award questions

thank you for the clarification. Have a great day!

From: melissa.dumond[redacted] [mailto:melissa.dumon[redacted]]
Sent: Tuesday, March 23, 2010 7:33 AM
To: Thronson, Eric
Cc: leastin[redacted]; wynne.davis[redacted]
Subject: RE: Track 2 grant award questions

Hi Eric,

FRA will obligate funds for a selected HSIPR project once all the elements of a grant agreement are completed. The obligation deadline is September 30, 2011. This includes environmental clearance and other documents detailed in the example Notice of Grant Award on our HSIPR web page (see: http://www.fra.dot.gov/Pages/473.shtml) and detailed in the Interim Guidance (see: http://www.fra.dot.gov/downloads/RRDev/fr_hsipr_guidance.pdf).

For Track 2 projects, in the near term FRA may issue a Letter of Interest for Service Development Programs and make subsequent obligations for program components through cooperative agreements. Up to September 30, as milestones under an LOI are reached, FRA would obligate funding to implement approved portions of the program through a cooperative agreement. (see LOI FAQ at: http://www.fra.dot.gov/Pages/2377.shtml).

Best,

Melissa Elefante DuMond, AICP
Environmental Protection Specialist
Office of Passenger and Freight Programs
Federal Railroad Administration
1200 New Jersey Avenue, SE
Washington, DC 20590
[redacted]
[redacted]

From: Thronson, Eric [mai[redacted]]
Sent: Thursday, March 18, 2010 6:43 PM
To: DuMond, Melissa
Subject: RE: Track 2 grant award questions

Hi Melissa,

Sorry to bother you, but I want to be sure I understand what steps the state will have to take to obligate the track 2 funds. The FAQ for the Interim Guidance released last summerindicates in the response to Question #23:

"FRA will obligate funds as soon as a grant or cooperative agreement between FRA and selected applicants is complete."

Does this mean the track 2 funds, required to be obligated by September 30, 2011, only need a cooperative agreement between FRA and the applicant in order to meet this obligation deadline? The usually required elements for obligation of federal funds on transportation projects, such as completed environmental work and right-of-way certification, are not required to meet the obligation deadline, is that correct?

Thank you for the clarification. I look forward to hearing from you soon!

Eric

From: melissa.dumond[redacted]
Sent: Friday, February 26, 2010 12:09 PM
To: Thronson, Eric
Cc: david.valenstein[redacted] bill.bronte[redacted]
Subject: RE: Track 2 grant award questions

Hi Eric,

The Federal Railroad Administration's High Speed Intercity Passenger Rail Program funding for Track 2 will be obligated by September 30, 2011, one year ahead of the ARRA legislation deadline to have the $8 billion obligated by September 30, 2012. The grant awards will be administered as reimbursements. Projects funded under Track 2 must be completed (includes reimbursements) by September 30, 2017.

I hope this helps. Please feel free to call or email if you have additional questions.

Best,

Melissa Elefante DuMond, AICP
Environmental Protection Specialist
Office of Passenger and Freight Programs
Federal Railroad Administration
1200 New Jersey Avenue, SE
Washington, DC 20590
[redacted]

From: Thronson, Eric [mailto[redacted]
Sent: Thursday, February 25, 2010 12:03 PM
To: DuMond, Melissa
Subject: Track 2 grant award questions

Ms. Dumond,

I have two quick clarifying questions I hope you can help me with concerning the Track 2 awards from the ARRA HSIPR Program.

1) I'm unclear about the various deadlines attached to the Track 2 awards. Page 37 of the June Interim Guidance states that the Track 2 grants must be obligated by September 30, 2011 and fully expended by Sept 30, 2017. But the ARRA legislation indicates that the $8 billion shall "remain available through September 30, 2012." Can you explain the difference and clarify to what each deadline is referring?

2) Are the Track 2 grant awards going to be administered as reimbursements, similar to FTA grants, or are they straight cash awards?

Thank you so much. If you have any questions, please let me know. If you don't know the answer to either question yet, that's ok, just let me know. I really appreciate your time and help--

Eric J. Thronson
Fiscal & Policy Analyst
Legislative Analyst's Office
California State Legislature
925 L Street, Suite 1000
Sacramento, CA 95814
Telephone: [redacted]
Email: [redacted]

Fashouer, William (FRA)

From: Thronson, Eric [[redacted]]
Sent: Monday, July 19, 2010 5:11 PM
To: DuMond, Melissa (FRA)
Subject: High-Speed Rail ARRA funding

Hi Melissa,

Sorry to bother you, and I hope this isn't too difficult to answer because I kind of need a quick turn around, but I have a quick question concerning the ARRA high-speed rail funding and the required environmental clearance.

My understanding is that ARRA funding cannot be used for capital projects until the environmental clearance has been established for the entire segment or corridor to which the money is to be applied. For example, I may know a particular grade separation will need to be done along the proposed corridor, and the project has independent utility. However, I have not finished the environmental process for the corridor. Wouldn't spending capital money on the grade separation prejudice the environmental process and therefore not be allowed?

Thanks for your help, I'd love to hear back from you asap. Thanks again--

Eric J. Thronson
Fiscal & Policy Analyst
Legislative Analyst's Office
California State Legislature
925 L Street, Suite 1000
Sacramento, CA 95814
Telephone: [redacted]
Email: [redacted]

Fashouer, William (FRA)

From: Thronson, Eric [redacted]
Sent: Wednesday, November 17, 2010 5:51 PM
To: DuMond, Melissa (FRA)
Cc: Bracht, Farra
Subject: Federal funding for CHSRA

Hi Melissa,

I understand that the FRA has required the California High Speed Rail Authority to spend the federal capital funds on the Central Valley segments. Are you able to discuss with me sometime that decision, and how it was reached? I am just trying to get my arms around this, as well as how it is going to fit with state law constraining how state bond funds must be spent. If it would be easiest for you, just set up a time we could chat on the phone. Thanks so much—

Eric J. Thronson
Fiscal & Policy Analyst

Transportation, Housing, High-Speed Rail
Legislative Analyst's Office
California State Legislature
925 L Street, Suite 1000
Sacramento, CA 95814
Telephone: [redacted]
Email: [redacted]

Fashouer, William (FRA)

From: Thronson, Eric [redacted]
Sent: Monday, November 22, 2010 2:10 PM
To: DuMond, Melissa (FRA)
Subject: ARRA contract deadline

Hi Melissa,

I feel like I remember a deadline for the ARRA track 2 funds involving a contract, but can't find it in any of the literature. I know that we need to have environmental clearance and federal funding obligated by Sept 2011. Also, the project must be completed by 2017. Isn't there also a requirement that the construction contract be awarded by some time in 2012? If so, when exactly, or if not, could you let me know? Thanks so much, have a great Thanksgiving holiday!

Eric J. Thronson
Fiscal & Policy Analyst

Transportation, Housing, High-Speed Rail
Legislative Analyst's Office
California State Legislature
925 L Street, Suite 1000
Sacramento, CA 95814
Telephone: [redacted]
Email: [redacted]

Fashouer, William (FRA)

From: Thronson, Eric [redacted]
Sent: Wednesday, January 19, 2011 6:10 PM
To: DuMond, Melissa (FRA)
Subject: Grant/Cooperative Agreement question

Hi Melissa,

I am trying to understand exactly where we (California) is at in the process of receiving ARRA funding, based on the timeline described in the Interim Guidance. I understand that we entered into a grant/cooperative agreement with the FRA in Dec 2010 for $2.466 billion, which according to the Interim Guidance means that we have secured an FRA Obligation of funds.

Also, according to the Interim Guidance, we had to reach this FRA Obligation before September 2011. All along I thought we had to have the environmental clearance for the segment for which the ARRA funding is obligated in order to reach the cooperative agreement. But since the agreement has been reached, does that mean we don't necessarily need all the environmental work completed by Sept 2011?

Additionally, HSRA continues to claim that they are required to award the DB contracts by September 2012, but I haven't seen any documentation of this fact. I just want to make sure we are all in agreement as to the deadlines the state faces, and what parts of the timeline are negotiable. We don't want to rush things and get them wrong, if we have time to more fully resolve issues.

Feel free to give me a call if it is easier to talk this through. Thanks for your help.

Eric J. Thronson
Fiscal & Policy Analyst

Transportation, Housing, High-Speed Rail
Legislative Analyst's Office
California State Legislature
925 L Street, Suite 1000
Sacramento, CA 95814
Telephone: [redacted]
Email: [redacted]

Fashouer, William (FRA)

From: Thronson, Eric [redacted]
Sent: Tuesday, January 25, 2011 1:13 PM
To: DuMond, Melissa (FRA)
Cc: Bracht, Farra
Subject: FW: Grant/Cooperative Agreement question

Hi Melissa,

I'm just following up on this request, making sure you received it. If you could give me an idea of when you might be able to get back to me that would be great. Thanks—

From: Thronson, Eric
Sent: Wednesday, January 19, 2011 3:10 PM
To: 'melissa.dumon[redacted]
Subject: Grant/Cooperative Agreement question

Hi Melissa,

I am trying to understand exactly where we (California) is at in the process of receiving ARRA funding, based on the timeline described in the Interim Guidance. I understand that we entered into a grant/cooperative agreement with the FRA in Dec 2010 for $2.466 billion, which according to the Interim Guidance means that we have secured an FRA Obligation of funds.

Also, according to the Interim Guidance, we had to reach this FRA Obligation before September 2011. All along I thought we had to have the environmental clearance for the segment for which the ARRA funding is obligated in order to reach the cooperative agreement. But since the agreement has been reached, does that mean we don't necessarily need all the environmental work completed by Sept 2011?

Additionally, HSRA continues to claim that they are required to award the DB contracts by September 2012, but I haven't seen any documentation of this fact. I just want to make sure we are all in agreement as to the deadlines the state faces, and what parts of the timeline are negotiable. We don't want to rush things and get them wrong, if we have time to more fully resolve issues.

Feel free to give me a call if it is easier to talk this through. Thanks for your help.

Eric J. Thronson
Fiscal & Policy Analyst

Transportation, Housing, High-Speed Rail
Legislative Analyst's Office
California State Legislature
925 L Street, Suite 1000
Sacramento, CA 95814
Telephone: [redacted]
Email: [redacted]

Fashouer, William (FRA)

From: Thronson, Eric [redacted]
Sent: Wednesday, February 16, 2011 7:59 PM
To: DuMond, Melissa (FRA)
Subject: 2017 construction completion deadline

Hi Melissa,

Sorry to bother you again, but I want to be sure I understand correctly the FRA's positions concerning high-speed rail. You have been so helpful in the past, I really appreciate your time.

I want to be sure I understand where the September, 2017 construction completion deadline for the ARRA funds comes from. I don't see it in the ARRA legislation, does this mean that it was chosen by the FRA in its interim guidelines? Do you know why that date was chosen? As we are embarking on such a large, expensive, complicated project, it seems particularly important to understand the deadlines and why they are chosen.

Thanks, feel free to call if its easier. Have a good one!

Eric J. Thronson
Fiscal & Policy Analyst

Transportation, Housing, High-Speed Rail
Legislative Analyst's Office
California State Legislature
925 L Street, Suite 1000
Sacramento, CA 95814
Telephone: [redacted]
Email: [redacted]

Fashouer, William (FRA)

From: DuMond, Melissa (FRA)
Sent: Friday, February 18, 2011 12:06 PM
To: 'Thronson, Eric'
Subject: RE: 2017 construction completion deadline

Hi Eric,

The table on page 29916 of our Interim Guidance (http://www.fra.dot.gov/downloads/RRDev/fr_hsipr_guidance.pdf) states that "The FRA account shall be closed on that date and any remaining balance (whether obligated or unobligated) in the account shall be cancelled and no funds shall thereafter be available for obligation or expenditure for any purpose" and cites 31 U.S.C. 1552.

31 USC 1552 leads you to the 2017 deadline:

§ 1552. Procedure for appropriation accounts available for definite periods

(a) On September 30th of the 5th fiscal year after the period of availability for obligation of a fixed appropriation account ends, the account shall be closed and any remaining balance (whether obligated or unobligated) in the account shall be canceled and thereafter shall not be available for obligation or expenditure for any purpose.

(b) Collections authorized or required to be credited to an appropriation account, but not received before closing of the account under subsection (a) or under section 1555 of this title shall be deposited in the Treasury as miscellaneous receipts.

Hope this helps,
md

From: Thronson, Eric [mailto:[redacted]]
Sent: Wednesday, February 16, 2011 7:59 PM
To: DuMond, Melissa (FRA)
Subject: 2017 construction completion deadline

Hi Melissa,

Sorry to bother you again, but I want to be sure I understand correctly the FRA's positions concerning high-speed rail. You have been so helpful in the past, I really appreciate your time.

I want to be sure I understand where the September, 2017 construction completion deadline for the ARRA funds comes from. I don't see it in the ARRA legislation, does this mean that it was chosen by the FRA in its interim guidelines? Do you know why that date was chosen? As we are embarking on such a large, expensive, complicated project, it seems particularly important to understand the deadlines and why they are chosen.

Thanks, feel free to call if its easier. Have a good one!

Eric J. Thronson
Fiscal & Policy Analyst

Fashouer, William (FRA)

From: Thronson, Eric [redacted]
Sent: Friday, February 18, 2011 12:08 PM
To: DuMond, Melissa (FRA)
Subject: RE: 2017 construction completion deadline

This does help, thanks!

From: melissa.dumond[redacted] [mailto:[redacted]]
Sent: Friday, February 18, 2011 9:06 AM
To: Thronson, Eric
Subject: RE: 2017 construction completion deadline

Hi Eric,

The table on page 29916 of our Interim Guidance (http://www.fra.dot.gov/downloads/RRDev/fr_hsipr_guidance.pdf) states that "The FRA account shall be closed on that date and any remaining balance (whether obligated or unobligated) in the account shall be cancelled and no funds shall thereafter be available for obligation or expenditure for any purpose" and cites 31 U.S.C. 1552.

31 USC 1552 leads you to the 2017 deadline:

§ 1552. Procedure for appropriation accounts available for definite periods

(a) On September 30th of the 5th fiscal year after the period of availability for obligation of a fixed appropriation account ends, the account shall be closed and any remaining balance (whether obligated or unobligated) in the account shall be canceled and thereafter shall not be available for obligation or expenditure for any purpose.

(b) Collections authorized or required to be credited to an appropriation account, but not received before closing of the account under subsection (a) or under section 1555 of this title shall be deposited in the Treasury as miscellaneous receipts.

Hope this helps,
md

From: Thronson, Eric [mailto:[redacted]]
Sent: Wednesday, February 16, 2011 7:59 PM
To: DuMond, Melissa (FRA)
Subject: 2017 construction completion deadline

Hi Melissa,

Sorry to bother you again, but I want to be sure I understand correctly the FRA's positions concerning high-speed rail. You have been so helpful in the past, I really appreciate your time.

I want to be sure I understand where the September, 2017 construction completion deadline for the ARRA funds comes from. I don't see it in the ARRA legislation, does this mean that it was chosen by the FRA in its interim guidelines? Do you know why that date was chosen? As we are embarking on such a large, expensive, complicated project, it seems particularly important to understand the deadlines and why they are chosen.

Thanks, feel free to call if its easier. Have a good one!

Eric J. Thronson
Fiscal & Policy Analyst

Transportation, Housing, High-Speed Rail
Legislative Analyst's Office
California State Legislature
925 L Street, Suite 1000
Sacramento, CA 95814
Telephone: [redacted]
Emai[redacted]

Fashouer, William (FRA)

From: Thronson, Eric [redacted]
Sent: Wednesday, March 09, 2011 4:48 PM
To: DuMond, Melissa (FRA)
Subject: restricting Fed funds to the central valley

Hi Melissa,

I want to make sure I am correct about something. Is it true to say the FRA restricted the fed funds to the Central Valley, in part, because it appeared those eligible segments were most likely to be accomplished by the 2017 deadline due to the lower public resistance there compared to the other segments? Thanks!

Eric J. Thronson
Fiscal & Policy Analyst

Transportation, Housing, High-Speed Rail
Legislative Analyst's Office
California State Legislature
925 L Street, Suite 1000
Sacramento, CA 95814
Telephone: [redacted]
Email: [redacted]

Fashouer, William (FRA)

From: Thronson, Eric [redacted]
Sent: Thursday, March 10, 2011 11:44 AM
To: DuMond, Melissa (FRA)
Subject: Florida HSR

Hi Melissa,

Sorry to bother you again, but I have read in recent articles that the FRA committed to Florida that they would not have to repay the ARRA funds if they, in the end, didn't operate the train. Below is a recent excerpt. Could you help me understand this, and why that is not the case for California? Thanks—

Scott said he feared the 84-mile line would be a burden to Florida taxpayers, even though private vendors had indicated they would be willing to cover any operating losses or construction cost overruns, and federal officials said Florida would not have to repay the $2.4 billion if the project failed.

Read more: http://www.miamiherald.com/2011/03/09/2106646/high-speed-rail-is-profitable.html#ixzz1GDRFVlWO

Eric J. Thronson
Fiscal & Policy Analyst

Transportation, Housing, High-Speed Rail
Legislative Analyst's Office
California State Legislature
925 L Street, Suite 1000
Sacramento, CA 95814
Telephone: [redacted]
Email: [redacted]

Fashouer, William (FRA)

From: Thronson, Eric [[redacted]]
Sent: Tuesday, March 22, 2011 12:56 PM
To: DuMond, Melissa (FRA)
Subject: RE: Florida HSR

Hi Melissa,

Following up on this one too. Thanks--

From: Thronson, Eric
Sent: Thursday, March 10, 2011 8:44 AM
To: melissa.dumond[redacted]
Subject: Florida HSR

Hi Melissa,

Sorry to bother you again, but I have read in recent articles that the FRA committed to Florida that they would not have to repay the ARRA funds if they, in the end, didn't operate the train. Below is a recent excerpt. Could you help me understand this, and why that is not the case for California? Thanks—

Scott said he feared the 84-mile line would be a burden to Florida taxpayers, even though private vendors had indicated they would be willing to cover any operating losses or construction cost overruns, and federal officials said Florida would not have to repay the $2.4 billion if the project failed.

Read more: http://www.miamiherald.com/2011/03/09/2106646/high-speed-rail-is-profitable.html#ixzz1GDRFVIWO

Eric J. Thronson
Fiscal & Policy Analyst

Transportation, Housing, High-Speed Rail
Legislative Analyst's Office
California State Legislature
925 L Street, Suite 1000
Sacramento, CA 95814
Telephone:[redacted]
Email:[redacted]

Fashouer, William (FRA)

From: Thronson, Eric [redacted]
Sent: Tuesday, March 22, 2011 12:56 PM
To: DuMond, Melissa (FRA)
Subject: RE: restricting Fed funds to the central valley

Hi Melissa,

Just following up on this request. Please let me know if you have any questions, thanks—

From: Thronson, Eric
Sent: Wednesday, March 09, 2011 1:48 PM
To: melissa.dumond[redacted]
Subject: restricting Fed funds to the central valley

Hi Melissa,

I want to make sure I am correct about something. Is it true to say the FRA restricted the fed funds to the Central Valley, in part, because it appeared those eligible segments were most likely to be accomplished by the 2017 deadline due to the lower public resistance there compared to the other segments? Thanks!

Eric J. Thronson
Fiscal & Policy Analyst

Transportation, Housing, High-Speed Rail
Legislative Analyst's Office
California State Legislature
925 L Street, Suite 1000
Sacramento, CA 95814
Telephone: [redacted]
Email: [redacted]

Fashouer, William (FRA)

From: Thronson, Eric [redacted]
Sent: Wednesday, May 11, 2011 3:26 PM
To: DuMond, Melissa (FRA)
Subject: FRA funding agreement

Hi Melissa,

If you could, do you know if the cost summary included in the Grant/Cooperative Agreement (on page 58 of Attachment 1 to Amendment No. 1) is in "year of expenditure" dollars or some other base? The sooner you could let me know the better, thanks so much—

Eric J. Thronson
Fiscal & Policy Analyst

Transportation, Housing, High-Speed Rail
Legislative Analyst's Office
California State Legislature
925 L Street, Suite 1000
Sacramento, CA 95814
Telephone: [redacted]
Email: [redacted]

Written Statement of
Mr. Roelof VanArk, Chief Executive Officer,
California High-Speed Rail Authority
Before the
Committee on Transportation and Infrastructure
United States House of Representatives

December 15, 2011

Chairman Mica, Ranking Member Rahall and members of the Committee: It is my pleasure to appear before you today on behalf of the California High-Speed Rail Authority to discuss one of the most important transportation initiatives in recent history.

Beginning 30 years ago, the people of California envisioned a high speed rail network that would tie our large and diverse state together. More than 10 years ago, our Legislature created a California High Speed Rail Authority to begin the process of planning and developing such a system. Three years ago, the voters of our State breathed life into this vision by enacting a $10 billion bond measure for High Speed Rail. Two years ago, President Obama declared that high speed rail was a matter of national importance and funds were appropriated by the Congress to support the development of such a system. One month ago, the California High Speed Rail Authority produced a draft business plan that lays out a clear, realistic path to how such an enormous program could be carried out, over the course of the next generation. And one year from now, we can be under construction on the first true high speed rail project in America, a project employing 100,000 people and spawning a whole new industry for our state and nation.

On November 1, 2011 I stood with other Board members to unveil the 2012 draft Business Plan that would take us from planning to implementation of the largest public-private partnership in the history of the United States. In doing so, we unveiled a plan that reflected the hard financial realities of funding a long-term transportation infrastructure project whose benefits would inure to future generations. Within the context of the economic and budgetary constraints operative at all levels of government this proposal is as bold as it is necessary.

The Authority has not flinched in meeting its fiduciary responsibilities to the taxpayers of California and the Nation nor has it wavered in its commitment to provide future generations with the tools it will need to meet the demands of an expanding population. By employing realistic economic assumptions and conservative ridership and revenue projections, built in contingencies, extended schedules, higher than anticipated inflationary increases, and recognition that composite prices would be driven upward by expanding demand, the transparency and honesty which forms the foundation of this Business Plan has been lauded in quarters that were unexpected. And although misinformation, disinformation, and coordinated attacks reflect opposition more to the boldness and bigness of the vision than to the actual substance of the proposal, the Authority and its members remain dedicated and committed to the long-term benefits that far outweigh either the short- or long-term costs.

Why is High-Speed Rail needed?

High-speed rail (HSR) is an investment predicated upon two key factors:

The recognition that continued growth will require major investments in expanded transportation systems over the coming decades; and,

The economic and environmental case that high-speed rail will meet those demands more effectively and efficiently than the alternatives.

Today, congestion on California roads results in $18.7 billion annually in lost time and wasted fuel. Over the next 30-40 years California is projected to add the equivalent of the current population of the state of New York. Approximately one in four flights between Los Angeles and San Francisco--the busiest air corridor in the country—is late by an hour or more, representing the most delayed flights in the country. The question is not *if* investments to meet growing demand are to be made, but rather *how* investments will be made that will reap the greatest benefits, or return on that investment.

If we continue to follow the antiquated infrastructure of building more lanes of freeways and increasing airport capacity (even where it is feasible), expenditures could exceed $170 billion over the next 20 years, compared to the conservative estimate for building Phase 1 which will connect Los Angeles/Anaheim with San Francisco over the same time frame of $98 billion. The environmental benefits of building high-speed rail include saving 3 million tons of carbon dioxide annually, reducing 146 million hours lost in traffic congestion annually, and traveling 8 billion vehicle miles less annually. Put in another context, the enhanced quality of life derived from building HSR are considerable indeed.

And California does not only benefit in the long-term, there are significant short-term benefits as well. Over the next five years HSR will create 100,000 jobs in the Central Valley. Eventually over one million jobs will be created. Thus, HSR is a job generator in both the short-term and the long-term.

What exactly is being proposed?

While building the entire system will take longer and cost more than previously estimated, the initial operating section can be in place within 10 years, generating positive cash flows, carrying millions of riders, and serving as a launch pad for private sector participation. There are two keys to cost-effective and timely implementation of a statewide high-speed rail system:

Dividing the program into a series of smaller, discrete projects that build upon each other but also can stand alone to provide viable high-speed rail service; and

Making advance investments in regional and local rail systems to leverage existing infrastructure and benefit travelers by providing interconnecting "blended" services.

We have identified funding for the initial construction section and are moving forward with construction commencing in the fall of 2012. But let us be clear that the decision to move ahead with the initial step does not commit the state to proceeding with the full program. By building the project in phases, work can be matched to available funding. For instance, our Business Plan does not anticipate additional Federal funding for the next three years. But each segment can be delivered through business models that transfer design, construction, cost, and schedule risks to the private sector and maximize efficiency by capturing the advantages of private-sector innovation. It is truly the essence of a successful private-public partnership.

How will the system be built?

Phased implementation of the system means there will be several critical decision points. Once again, no discrete segment will be started until the necessary funding has been identified. The first critical decision point will be the construction of a 130-mile "backbone" connecting just north of Fresno to just north of Bakersfield in the Central Valley. Construction will commence in 2012 and finish by 2017 and the cost of this initial construction section will be $6 billion.

Many criticisms have been leveled at beginning in the Central Valley; however there are sound technical and economic reasons for starting there. First, needed right-of-way in the state's fastest growing region could be secured before land values increase further. Second, building through the Central Valley is required for high speed rail in the State and this section is further along and there are significant employment needs in the Valley. Third, we can build more track miles with each available dollar in the Central Valley. Lastly, building there and expanding north and south is consistent with building of international systems. It makes good sense to build off of proven successes.

The second critical decision point will be construction with the first of two operating segments, either north of Fresno or south of Bakersfield. If the southern option is chosen first, it will cover 300 miles at a cost of $27.2 billion, and construction will commence in 2015 and finish by 2021. It will connect Merced with the San Fernando Valley and it is at this point that private sector involvement in the system changes from design build contracts to long term concessions with financial participation.

Much has been said about the $98 billion, 20 year program. However, this is a program of many phased, operationally self-sufficient projects—exactly the way that high-speed rail has been built throughout Europe and Asia. In less than a decade, this Initial Operating Section will allow the State of California and the U.S. to have a completed, operationally self-sufficient high speed rail link that connects the growing Central Valley of California, home to more than 4 million people, to Los Angeles or the San Francisco Bay Area. Given the current funding for the ICS and the additional funding available through Proposition 1A, we need approximately $20 to $21 billion from the federal government over the next 6-7 years to make this happen. With continued partnership between the State and Federal government, we believe this is a vision and schedule that can make high-speed rail real in the U.S. in the very near future.

The third critical decision point will be construction of the other operating segment, in this case the northern section which will connect the San Fernando Valley with San Jose, essentially connecting the San Francisco Bay with the Los Angeles Basin. This operating segment will be 290 miles long, will cost $21.1 billion, construction will start in 2021 and finish in 2026.

The fourth decision point will involve the implementation of additional rail-transit improvements in the Los Angeles basin and the San Francisco Bay area, including electrification of existing rail systems, to create "blended operations" with high-speed rail, creating a "one-seat" ride from San Francisco to Los Angeles/Anaheim. The cost of the "Blended" stage will be $23.9 billion; construction will begin in 2026 and be completed by 2030. I should point out that in fact we will begin making early investments in these systems immediately, using the nearly $1 billion of our state bond funds that were slated for interconnectivity.

At this point, the total cost of the system will be $78.2 billion, and additional decisions will be made related to further build out of infrastructure for fully completing Phase 1. With the completion of Phase 1 the anticipated private-sector infusion will be between $11 - 20 billion. Once again, these are fairly conservative estimates and costs are expected to be lower. But when subtracting out the private dollars, the total taxpayer funded costs of the Phase 1 Blended system would be slightly over $67 billion. In 18 years you will have the ability to ride from Los Angeles to San Francisco in three hours at a cost of approximately $81 in 2010 dollars. The ticket prices are expected to be about 83 percent of an average airline ticket, which will vary according to when you purchase the ticket and when you travel.

The fifth critical decision point involves either fully completing Phase 1 with dedicated track, at a cost of an additional $19.9 billion with a completion date of 2033, or commencing with construction of Phase 2, connecting San Diego at the southern end and Sacramento at the Northeastern terminus, hence completing the 800 mile project. Specific cost estimates and construction schedules for the Phase 2 extensions have not yet been developed.

What Are "Blended Operations"?

The blended system utilizes existing rail systems within the context of the statewide system. By sharing services considerable costs can be avoided, particularly since these services are utilized in the high-cost sections of the system, i.e. densely populated urban areas in San Francisco and Los Angeles. The commitment to a blended system is the result of extensive cooperative planning among state, regional, and local partners and is the product of extensive comments and suggestions from local communities and their leaders.

Initially, passengers arriving in San Jose or the southern terminus in the San Fernando Valley would seamlessly connect with Caltrain or Metrolink services. Sacramento passengers would experience similar benefits by connecting to Amtrak's San Joaquin service at Merced. Eventually, as further improvements to existing systems are made, transfers would not be necessary, thereby effectuating a "one-seat ride" concept. By employing blended services we could have in place a blended "one-seat ride' system by 2030, fully three years ahead of the fully built out Phase I construction schedule and at a cost savings of $20 billion.

Early investment in these improvements, such as grade-crossing eliminations and additional tracks, have independent utility that will benefit not only the high-speed rail system but also riders using these systems prior to connection with the high-speed system. The blended operations proposal is a significant improvement over previous planning scenarios and truly reflects the Authority's commitment to extensive cooperation and coordination with local communities and further underscores the importance of its continuing public outreach activities.

Why do we need this now?

The real question facing California and Californians is not *if* we spend public resources on infrastructure needs, but rather *how*. We can either continue to expend precious State dollars on the continuation of an antiquated infrastructure paradigm designed for the mid-twentieth century or we can accept the challenge to plan for and participate in the twenty-first century economy, a reality that is not off in the future but is here today. An increasingly globalized economy places a premium upon anticipating and planning for trends. There is good reason why twenty-four countries around the globe either already have or are in the process of planning high-speed rail systems. And Californians accepted this challenge to participate in the twenty-first century economy in 2008 with the passage of Proposition 1A.

This, by the way, should come as no surprise. Today, there are 50,000 miles of California freeways and highways that began with an initial $18 million bond issuance in 1909. From its designation as a key highway in 1947, Interstate 5 was not completed until 1979 and serves as the "backbone" of the state's highway system. So California and its citizens have a long history of a willingness to spearhead far-reaching and long-term projects.

Despite the current economic recession California population continues to grow and will continue to grow into the future. Over the next 30-40 years it is expected to add the equivalent of the current population of New York. The infrastructure demands this growth will visit upon our policy makers and governmental institutions and residents will be extensive and profound. We can either meet these needs by constructing additional lanes of highways and by increasing airport capacity, further degrading the environment and at an exorbitant cost or we can invest in a statewide transportation network that will connect the Northern and Southern regions of the state at lesser cost, with far greater economic benefits, and in an environmentally sensitive fashion.

But let us put numbers to these propositions. In order to accommodate even a conservative estimate of economic growth over the next two decades it is projected that building equivalent capacity for conducting "business as usual" would require constructing the 2,300 miles of additional highways, 115 new airport gates, and 4 new airport runways that would be needed would require an expenditure of $171 billion. Building high-speed rail under the "blended operations" scenario already described is projected to cost $78.2 billion over the same time period.

Construction of high-speed rail in California will also result in as yet uncalculated economic benefits from "transit-oriented development", that is the multiplier effects of development around the stations and transportation hubs that will accompany construction of the system. This has happened all around the world and will happen here as well. Based on international experience, it is possible to conclude that high-speed rail will lead to greater and more rapid capture of regional development projections around stations, as well as premiums for land value, employment and local taxes. The following changes can be expected:

- HSR stations can accelerate planned development, attract additional development, increase commercial and employment densities, and enhance property value around stations.
- The majority of development will occur at selected major downtown stations and in cities close to these hubs.
- Central Valley cities will attract less total development than major metropolitan stations, but can capitalize on advantages from lower land and labor costs so new manufacturing, recreational, tourism, residential development, and back office uses will be especially suitable.

In the short-term, construction of HSR will create 100,000 jobs-years of employment over the next five years, with most of these jobs created in the economically strapped Central Valley where unemployment is considerably higher than in other areas of the state. Over the next twenty years construction of Phase 1 of HSR will create in excess of one million job-years of employment with 4,500 permanent operations jobs and between 100,000-450,000 new non-HSR permanent jobs created by 2040. Quite simply, HSR is a jobs generator in both the short- and long-term.

From an environmental perspective the benefits of HSR versus continuing reliance upon automobiles and aviation is compelling. Over the next 40 years Californians will see a significant reduction in traffic congestion with a reduction of 320 billion vehicle miles traveled. Each year Californians will experience 146 million hours saved from sitting in traffic, time which can be spent either more productive from the standpoint of worker productivity or quality of life enhancements. The reduction in greenhouse gas emissions from tailpipes is expected to be 3 million tons annually or 120 million tons over the next forty years.

Further complicating the business as usual alternative is the fact that in many instances expanding airport facilities, especially accommodating additional runways is not a feasible option. The Los Angeles-San Francisco corridor is the most heavily traveled airway segment in the nation, with constant delays. Aviation officials have expressed a desire to shed short-haul flights and concentrate on long-haul routes that are more profitable, hence making HSR a complimentary addition to the intermodal mosaic that comprises California's transportation system.

Does it make money?

One of the most serious criticisms leveled at HSR is whether or not the system will indeed attract private sector investment. Unless it operates at a profit, it will not attract private sector investment. In examining international models and through careful construction of the Business Plan utilizing a bona fide business model we have presented a draft plan that *will not* require an operating subsidy and *will* produce net operating profits. There has been substantial expression of interest from the private sector in HSR and the project is truly a private-public partnership in every sense of the term.

The business model employed in this Business Plan proceeds from five fundamental assumptions:

First, this is not a public works project, nor is it fully privatized, it is truly a partnership.

Second, this partnership will evolve as the system is developed moving from service and construction contracts to complex concession agreements with underlying private capital investment.

Third, competition in procurement is one of the strongest drivers of value and cost management available to the state, and the project will promote national and international competition.

Fourth, the system and its key components will be built in the United States. Employment and manufacturing will be focused in California and the U.S.

Lastly, successful establishment of required intergovernmental agreements will promote private-sector confidence that translates into additional value and reduced costs when the public sector negotiates private-sector agreements.

The project will not experience private capital infusion until the first operating segment is completed, in 2021. However, based on proven experience in other parts of the world, we believe that a conservative assumption that $11 billion in private capital will be available to offset costs of the HSR system at that time is just that, conservative, and could be greater.

The key to generating operating profits are founded on confidence and reliance upon projections on ridership. Previous criticisms leveled at ridership projections have been heeded and the Authority convened a panel of international experts in travel forecasting to examine and guide an extensive evaluation of potential ridership scenarios. The Ridership Peer Review Panel's work validated the integrity of present forecasting and establishes the current model system as a reliable and valuable tool for the state in its assessment of the HSR program.

The assumptions underlying this model are realistic, credible, transparent, and in many cases, and conservative. The process rendered three ridership and revenue scenarios based on varying assumptions of population growth, trip-making patterns, driving costs/gas prices and airfares. To illustrate the conservative nature of the assumptions an average gasoline price of $3.80 per gallon was used, despite much higher estimates from other forecasts. Obviously, higher gasoline prices would encourage greater ridership, so using lower cost assumptions lowers ridership projections. Similarly, the Panel assumed population growth rates lower than state Department of Finance estimates. Lower population rates also work to lower ridership estimates.

In short, strategically targeted conservative driving cost, airfare, and other assumptions create safeguards and the goal was to use approaches, methodologies, scenarios, and assumptions that improve the level of confidence and reduce financial risks.

HSR will produce net operating profits from the initial year of construction regardless of the initial operating segment first constructed (North or South). However, due to greater ridership in the southern segment net operating profits are expected to be higher for the system in the early years. For instance, using the medium ridership assumptions net operating profit in 2025 if the southern segment is constructed first would be $464 million, and if the northern segment is constructed first the net operating profit would be $285 million. Over the lifetime of the project, however, these projections even out.

What is important to this discussion is that no operating subsidy will be required for the initial operating segment north or south under high, medium, or low ridership assumptions and this is consistent with the results of other high-speed projects across the world. Equally important is that under a breakeven analysis projected ridership could fall 59 percent lower than the high forecast in year one and still maintain a positive cash flow. In 2026 the difference is more dramatic, with projections showing that ridership could fall 83 percent below the high ridership projection and still produce a positive cash flow.

In summary, the HSR network is forecast to produce a net operating profit immediately following commencement of operations, even under a low revenue scenario. Breakeven revenues for the IOS-North and IOS-South are estimated at $267 million and $218 million in 2022, respectively which is 35 percent and 41 percent below the first year high estimate and 5 percent and 29 percent below the low estimate, respectively. Private-sector development and operation of the system is expected from the outset of construction and operations. Private-sector investment in anticipated once revenues are proven through completion of the Initial Operating Segment, and is a potential option to fund the final several years of construction under the Bay to Basin section if a private-public partnership structure is introduced at that time.

On the basis of such a private-sector transaction, the federal government funding requirements will be reduced significantly to represent approximately **61** percent of the total funding to achieve Bay to Basin connectivity. This represents a considerable deviation from traditional major transportation infrastructure projects that require anywhere from **80-90** percent federal funding.

Do the benefits outweigh the costs?

Under standard benefit-cost analysis methodology the answer is a resounding yes. The investment in the Phase 1 HSR system yields a return on investment—in terms of benefits—that exceed the costs by 57 to 78 percent. This represents a substantial positive financial investment for California and Californians. These are times that test our resolve, yet our collective responsibilities to our State and our Nation make it imperative that we make sound, prudent and wise economic decisions that give us the best bang for the buck. High-speed rail is such an investment.

Let me close by saying that California High Speed Rail makes sense, economically and from a transportation policy standpoint. It represents a new paradigm of partnership with the private sector, it is based on a favorable split of federal and state funding, it will provide the first test of truly high technology, high speed rail in the U.S. and we know how to build it. We look forward to working with the Congress and our partners at DOT and FRA.

And California is the right place for High Speed Rail for another reason. As Governor Jerry Brown said recently:

> **"This is a place where people found gold, where people created the movie industry, where Facebook and Apple were founded. People come to California to do not what's already been done, but to create what hasn't happened yet"**

Thank you.

To: Chairman Mica and Members of the House Transportation and Infrastructure Committee:

FR: Roelof Van Ark, CEO, California High Speed Rail Authority

Date: 1/13/12

RE: Questions for and responses from Roelof Van Ark, California High-Speed Rail Authority

- What direction did the High Speed Rail Authority Board give their staff at Tuesday, December 13th Board Meeting regarding alignments and stations in the Fresno-Bakersfield section of the project, particularly regarding bypassing the town of Hanford?

  Response: The Authority gave the staff the direction to add a western bypass of Hanford into the Revised Draft EIR/S for Fresno to Bakersfield. This includes developing a 15% level design for horizontal and vertical alignment to determine a footprint for this alignment. All the analysis standard to those alignments in the first Fresno to Bakersfield Draft EIR/S will be applied to this and be used for comparison with all alignments being considered. The board approved the staff recommendations below.

  > ***Staff Recommendations:***
  > *The staff recommends the Board to approve the following:*
  > *Alignment Alternative*
  > *-Add the new Hanford West Bypass Alternative (HW) depicted in Figure ES-1 to the current set of alignment alternatives (including the current Hanford East Bypass Alternative) to be evaluated in the Fresno to Bakersfield Revised DEIR / Supplemental DEIS.*
  >
  > *Station Location*
  > *- Add the new Hanford West station location depicted in Figure ES-1 to the current set of station locations (including the Hanford East location) to be evaluated in the Fresno to Bakersfield Revised DEIR / Supplemental DEIS.*

- If, as the LAO warned on November 29, 2011 at the Assembly's hearing on the plan, the "ICS may be all that is ever built" what will the $6 billion rail line be used for? How do you respond to LAO's assertion that the Authority "has not demonstrated that the benefits of the independent operational utility of the ICS exceeds the costs"?

Response: The grant agreement with the FRA includes provisions to connect the ICS with the existing line used by Amtrak's San Joaquin service, providing independent utility. This line is the 5th busiest in the nation, and is experiencing significant growth, now exceeding one million riders annually. This initial investment also preserves right of way needed for the system, avoiding the certain increase in property values in the future. Combined with other improvements being undertaken on the line, the use of the ICS would significant improve intercity rail service in the fastest growing region of California. As noted by Amtrak in an

October 2010 letter to the Authority, "Operating the San Joaquin trains over this new route at higher speeds on an interim basis while other segments of your proposed system are developed to allow for full high-speed train service would benefit the public and our riders by greatly improving travel times, reliability and passenger comfort…."

The Authority is working with the FRA, Amtrak, regional rail partners and other stakeholders to develop specific plans to maximize the benefits of this initial investment. Of course, the ICS is designed as the first step in the development of the high speed system and will be the backbone of the system as it is expanded.

- Your testimony admits that to get an Initial Operating Segment, you will need $20-21 billion in federal funds over 6-7 years. This averages to $3 billion or more a year. Where do you propose that the federal government get this $3 billion a year you seek?

  Response: *Consistent with the experience in the other 12 countries that have developed high-speed rail systems, the development of a high-speed rail in the United States requires significant federal support. The specific nature of the programs that the federal government would implement to support such a system is in large part a federal question. We have attempted to identify alternative funding program concepts that have been used for other assets. We believe that a long term funding program is needed to support a program of this significance.*

- Based on your Draft 2012 Business Plan, please set forth *all* forms of federal government funding, including grants, availability payments, and qualified tax credit bonds, set out by year, amount, and purpose that the Authority will need to complete Phase I. Please provide this amount assuming private sector participation and assuming there is no private sector participation.

  Response: *The 2012 draft Business Plan identifies the scope and size of the project and its projected ridership, costs, operations and potential revenues. The full Phase 1 of the project is expected to require a full generation to develop and there are a large number of phased development and financial decisions to be made. To that end, it is not possible to identify with precision the specific amounts, timing and federal programs that we would seek to access. We do believe that federal participation at a significant level is required. Chapter 8 of our draft Business Plan identifies, based on a general assumption related to funding availability, a potential plan. The known elements are: existing State bond funding of $9 billion and federal grants of $3.3 billion. Ridership and cost* *projections also illustrate that, consistent with high-speed operations around the world, there will be operating profits that can be leveraged by the private sector or to support other project borrowings. These amounts are projected at $11 billion though the development of the Bay to Basin connection between San Jose and the San Fernando Valley. As shown on page 8-34 of the draft Business Plan, an additional $30 billion is needed over the next 10 plus years in Federal funds from all sources to complete the Bay to Basin element of the system. Revenue projections illustrate that the project will be able to raise 19% to 32% of these capital costs once the system is completed.*

- You seem quite confident that no operating subsidy will be required, however, what happens if in year one or two of operations you need a subsidy? How will you make up that difference?

Response: *The draft Business Plan incorporates private sector high-speed rail operating strategies used in other parts of the world. The development plan was based in part on building enough system such that operations would have significant private sector interest. It is the Authority's plan to negotiate an operating agreement/concession with an experienced high-speed rail operator and transfer the responsibility for the cost and profitability of operations to the private sector.*

- The Draft 2012 Business Plan and your testimony here today compares the costs of Phase I ($98 billion) with the $170 billion of added capacity to airports and highways. The LAO, CARRD, and Orange County Transportation Authority have all claimed this $170 billion is overstated and does not distinguish highway/air infrastructure investments that would be made regardless of whether HSR is built. How do you respond to those criticisms? When calculating the $170 billion, why did you use maximum capacity of the project instead of actual planned capacity?

Response: *There is sound basis for using a capacity-based comparison. The high speed rail program is different than virtually any other infrastructure program, in that the Legislature specifically established the need for the investment, and defined it in statute, which was then approved by the voters as Proposition 1A.*

> *"Cal.S. &H. code § **2704.04***
>
> *§ **2704.04**. Legislative intent regarding construction of a high-speed train system; use of proceeds of bonds*

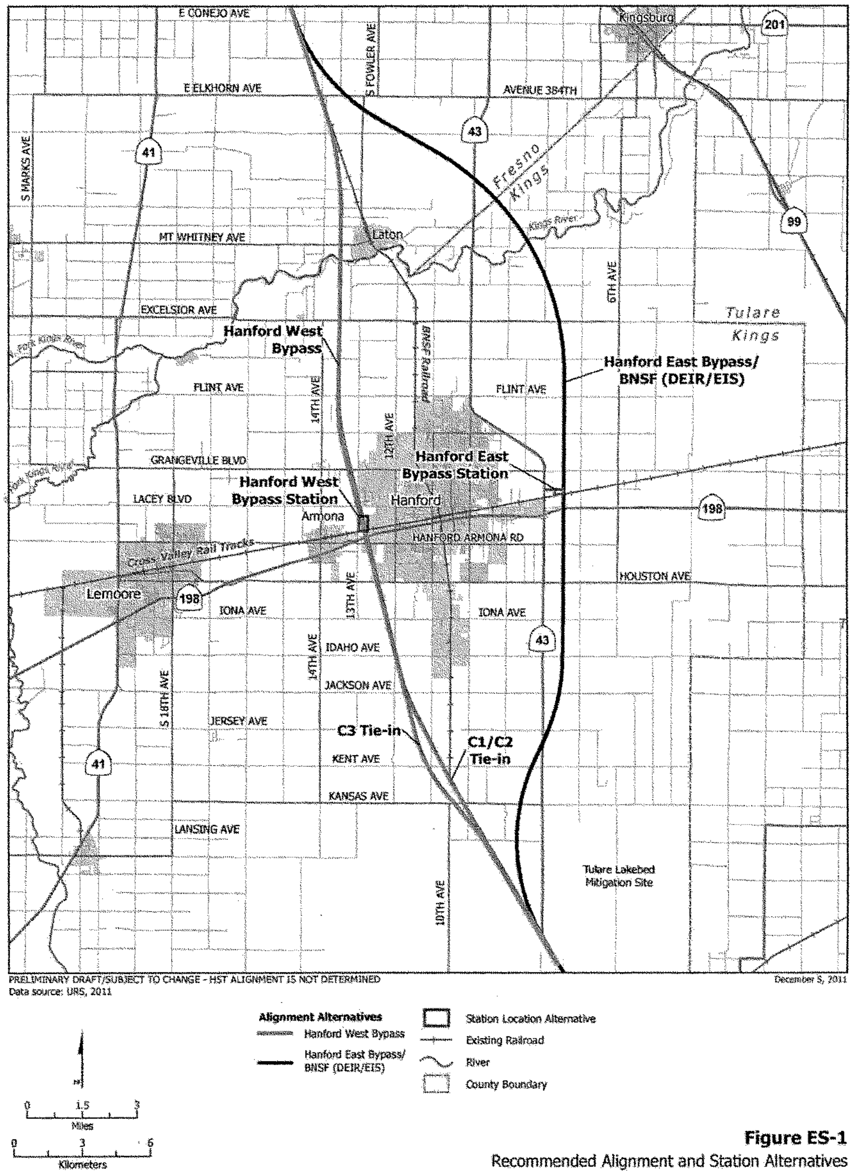
> *(a) It is the intent of the Legislature by enacting this chapter and of the people of California by approving the bond measure pursuant to this chapter to initiate the construction of a high-speed train system that connects the San Francisco Transbay Terminal to Los Angeles Union Station and Anaheim, and links the state's major population centers, including Sacramento, the San Francisco Bay Area, the Central Valley, Los Angeles, the Inland Empire, Orange County, and San Diego consistent with the authority's certified environmental impact reports of November 2005 and July 9, 2008."*

Construction of the HSR system will provide the state with a given level of capacity for moving people. The actual levels of ridership will vary, much the way that the capacity of a lane of highway is defined, but the actual usage varies over time. With the need for and the parameters of the system having been established by the Legislature and affirmed by voters, the analysis in the plan is intended to provide decision-makers with an understanding of the cost of providing that same capacity through other modes, and the scale of environmental and social challenges that would be faced in attempting to do so.

It is helpful to look at some independent data to put the costs in perspective. Although the Authority's comparison is not a needs analysis, others have identified needs that reaffirm the scale of investment cited. The California Transportation Commission has released a needs study that identifies $198 billion in capital expansion needs by 2020 (the Authority's analysis looks over the 100 year life of the HSR investment). The non-partisan Think Long Committee for California, which includes such distinguished members as George Schulz, Condoleezza Rice, former chair of the Council of Economic Advisors Laura Tyson, and Google CEO Eric Schmidt, has cited transportation investment needs over the next decade of over $550 billion. Just using those two sources as reference, it is hard to see that the Authority's estimates for comparable capacity are in any way overstated.

- You claim in your testimony that your estimates are "conservative and costs are expected to be lower." As I understand it however, your own Business Plan admits that "if all of the more expensive alternatives were selected, could be an additional $19.1 billion, for a total of $117.6 billion." So couldn't costs actually be higher, especially given that you have not completed all environmental work, and changes made through that environmental process has already led to cost increases and could easily increase costs further?

Response: Among the conservative features of the estimates are the inflation rate applied to the program – an assumption of 3%, in spite of the fact that actual inflation in California has been closer to 1% for several years; and, an average contingency of almost 24% that has been applied to the capital costs. The estimates also do not take into account the bidding environment in California, where bids on major projects have been 20-30 percent below estimates. The estimates reflect the changes made to the program as the result of the environmental process and community outreach: things such as changes in alignment, and an approximate doubling of both tunnels and elevated structures to avoid impacts. The blended approach to developing the HSR system in California, which is consistent with practice around the world, provides a far more *cost-effective alternative to the full build-out represented by the higher figure you cite, and there is no reason to believe that that investment would ever be required or made.*



PRELIMINARY DRAFT/SUBJECT TO CHANGE - HST ALIGNMENT IS NOT DETERMINED
Data source: URS, 2011

December 5, 2011

Figure ES-1
Recommended Alignment and Station Alternatives

Testimony of:

The Honorable Jerry Amante
Member of the Board of Directors
Chair, Transportation 2020 Committee
Orange County Transportation Authority
Orange County, California

Before the

United States House of Representatives
Committee on Transportation and Infrastructure

Hearing on:

California High Speed Rail Plan:
Skyrocketing Costs and Project Concerns

OCTA

Thursday, December 15, 2011
10:00 a.m.
2167 Rayburn House Office Building

Chairmen Mica and Shuster, Congressman Rahall and Congresswoman Brown, members of the Committee, my name is Jerry Amante and I am here today representing the elected Board of Directors of the Orange County Transportation Authority (OCTA), located in Orange County, California. My current OCTA Board responsibilities include chairing OCTA's Transportation 2020 Committee, which considers matters involving the funding of future OCTA transportation projects.

The Orange County Transportation Authority was formed in 1991 by the consolidation of seven separate transportation agencies. This consolidation created a multi-modal authority, which eliminated duplicate transportation functions and increased efficiency in permitting one agency to provide a full range of multimodal transportation services for the more than 3 million residents of Orange County. In short, the OCTA is responsible for all modes of transportation in Orange County with the exception of aviation.

In addition to my OCTA responsibilities, I also serve on the Board of the LOSSAN Corridor Joint Powers Authority, which oversees service from San Luis Obispo, through Los Angeles and Orange County, to San Diego. I am also Mayor of the City of Tustin, a major Orange County city located on the LOSSAN Corridor.

Thank you very much for the opportunity to discuss the OCTA Board's comments on the recently released Draft 2012 California High-Speed Rail Business Plan (Plan) and to share with you OCTA's vision for investments to improve the LOSSAN Corridor generally, and the Los Angeles to Anaheim portion of this corridor, which would also be part of the corridor used for any future California High-Speed Rail project. OCTA owns the 42 miles of LOSSAN Corridor right of way located in Orange County and jointly funds and manages the present Metrolink commuter rail service in that corridor.

Today, the LOSSAN corridor is well established as the nation's second busiest passenger rail corridor and the California counterpart to the Northeast Corridor. LOSSAN carries 2.7 million Amtrak passengers each year, behind only the Northeast Corridor in terms of Amtrak riders. In addition, this corridor carries a combined 4.5 million rail riders annually on Metrolink and the Coaster, the two commuter rail providers servicing the corridor.

Located within the LOSSAN corridor, the City of Anaheim is designated by Proposition 1A (the High-Speed Rail Bond Measure passed by California voters in 2008) as the southern terminus for Phase 1 of the California High-Speed Rail (CHSR) project. In 2007, OCTA contributed $7 million to the advancement of the environmental documentation for the Anaheim to Los Angeles segment of the CHSR project and directed staff to participate in and monitor the development process of the CHSR project to ensure that the needs and interests of Orange County were represented. OCTA was the only public agency to make such a financial contribution to the environmental clearance effort.

High-speed and intercity passenger rail investment can play a key role in California's transportation future. Existing passenger rail services in the Bay area of Northern California and the Los Angeles Basin in Southern California, serve some of the busiest Amtrak corridors in the nation. The improvement of these corridors constitutes an important piece of an overall mobility strategy to move the 35 million current California residents. That population is expected to grow to over 50 million in 2030. California must meet the mobility challenges of this growing population, and the State has already invested $1.8 billion in passenger rail infrastructure through a partnership dating back to 1976. The alternative to improved passenger rail services is a significantly greater investment in California highways and airports. While we may differ over the exact amount of that investment, the magnitude is undeniable, and the need for passenger rail as a mobility component for the future of California is clear.

As part of the most populous region in the most populous state, we are particularly grateful to the federal government for investments to date in high-speed and intercity passenger rail. A continued future funding partnership with the federal government for California high speed and intercity passenger rail is absolutely necessary and in the national long term interest. However, we also appreciate there are limited federal transportation funds to go around, including for high speed rail. We agree with this Committee's position that public-private-partnerships (P3s) to leverage federal funds should also become part of the high speed rail discussion both in California and nationally.

The latest California High-Speed Rail Business Plan is a marked improvement over the 2009 Plan and attempts to address many of the previous areas of concern raised by the State Legislature, an independent peer review group, the State Legislative Analyst, and affected communities. OCTA is pleased that this Plan includes the blended approach to providing service in Orange and Los Angeles Counties, as requested by OCTA and Los Angeles Metropolitan Transit Authority (LAMTA) in spring 2010. By incorporating this blended approach, the Plan recognizes the importance of existing passenger rail service providers and the need to link those systems with the CHSR project. OCTA believes this is the key to the successful implementation of CHSR in Southern California. Linking into the existing successful rail services will provide the needed connectivity to regional transit systems to enable the full potential of the CHSR system to be realized.

While the Plan represents a more realistic assessment of the CHSR project and is an improvement over the previous plan, there remain areas of grave concern that should be addressed prior to submission to the State Legislature and certainly prior to implementation. Below is a summary of OCTA comments/ concerns:

Phased Delivery Approach: OCTA is pleased with the introduction of the phased delivery approach as it represents a more realistic delivery model as requested by OCTA and LAMTA. However, this approach begins with construction in the Central Valley instead of the "bookends" in the Los Angeles Basin (San Fernando Valley to Anaheim) and San Francisco Bay (San Jose to San Francisco) areas, which show much higher ridership and revenue as well as providing connectivity to the most urbanized areas of the State. OCTA believes it more prudent for the California High-Speed Rail Authority to begin with at least some investment at the north and south ends of the system. This approach will maximize the investment of scarce State and Federal funds and provide critical connections to the existing passenger rail systems in Southern and Northern California. Further, this investment will benefit existing passenger rail services even if CHSR is not successful. Putting all currently available funding in the Central Valley also fails to address the prominent rail gap between Bakersfield and Los Angeles which currently requires Amtrak bus service to connect passenger rail services in Northern and Southern California.

Project Schedule: The updated schedule aligns with the phased delivery approach, adding 13 years to the Full Phase 1 project. This change in schedule leads to significant cost increases due to inflation and escalation and it puts the existing funding sources in jeopardy due to timely use. Additionally, the updated schedule includes no additional contingency for project delay that may be caused by environmental clearance, legal challenges, gaps in funding or limited availability of construction materials and qualified technical resources.

Cost Increase: The previous cost estimate of $43 billion was in base year dollars and the updated cost estimate now includes normal escalation and inflation, resulting in a significant cost increase. As stated in the business plan, the increased cost also does not address worst case scenarios for mitigations that may be required through the environmental process nor is it based on the high end (up to $117 billion) of the range, presented in year of expenditure dollars. These potential cost changes could be significant and should be addressed through better contingency planning and project development.

Funding/Financial Plan: The funding plan is largely speculative and lacks any firm commitment of funding beyond the initial construction section. The current secured funding is not adequate to build either of the Initial Operating Sections, which the Plan states are the driving force behind attracting any private funding and future public funds. Necessary private investment opportunities are limited until at least one of the initial construction segments is complete. Additionally, the Plan relies heavily on scarce public funds on the front end of the project and will place the CHSRA in direct competition with existing rail service providers given some of the identified potential federal funding sources. Both of these issues are of great concern to local entities such as OCTA since they will directly impact existing and future planned programs. Specifically, OCTA is very concerned about the assumptions on the use of federal Congestion Mitigation and Air Quality and Regional Surface Transportation Program funds that OCTA utilizes for highway and transit projects. In addition the use of federal New Starts funds for the CHSR project presents direct competition to OCTA and other local transportation agencies that need to rely on this program for the development of new fixed-guideway projects.

Operational Assumptions: The operating assumptions include some very aggressive service levels of up to nine trains per hour. This is likely to result in unnecessary frequency. The projected operating surplus of over $1 billion per year is speculative and based on an optimum number of trains. It is simply too optimistic.

Cost Comparisons: The cost comparisons made in the business plan are based on a theoretical maximum of high-speed rail capacity. More concerning is that the plan does not include a build vs. no build option for high-speed rail and ignores existing capacity and other tools for managing congestion. In addition, the plan compares a $98 billion investment in high-speed rail to a $171 billion future investment in airports/roadways for equivalent capacity. However, the Plan does not account for the roadway/airport work investment that will be required both with and without the CHSR project.

Compliance with Proposition IA: California's Proposition 1A requires that a specific series of items be addressed as part of the funding plan. One of these items is that "the corridor or usable segment thereof would be suitable and ready for high speed train operation". Another is that "the authority has completed all necessary project level environmental clearances necessary to proceed to construction". It appears that there are serious questions that need to be fully analyzed as to whether the funding plan truly complies with Proposition 1A in these regards.

Of all of the concerns discussed, the paramount issue for OCTA remains the phasing of the project. A blended approach to project implementation allows for existing rail service providers such as Amtrak, Metrolink, and Caltrain to provide much needed connectivity to the backbone of the high-speed rail system by sharing facilities and tracks. This will allow for existing services to bridge the gaps with the project from the Central Valley to the urban areas in the north and south in advance of the Full Phase 1. Early investment in the blended approach will provide immediate benefit to the existing rail services operating in Southern California that would enhance the passenger experience, reduce travel times, and improve safety where the largest numbers of passenger rail travel already exists. These improvements could include upgrades to stations, track improvements, and a limited number of key grade separations, and would provide public benefits with or without high speed rail.

While Our Board has serious concerns about some of the specifics included in the business plan, we support the federal investment for California's high speed rail program. In fact, continued federal support will be necessary if the program is to be successful.
OCTA intends to continue to provide input to the CHSRA on this project and we are pleased that the CSHRA has welcomed our input. We are also available to be a continued resource to this Committee, should you seek input from those who will stand to benefit from a properly planned and implemented high speed rail initiative in California.

We greatly appreciate the monumental task facing the Committee as you work to improve our nation's transportation infrastructure. Thank you once again for the opportunity to testify today and for all that you do for America's transportation systems. I would be pleased to answer any questions.

Testimony of
The Honorable Ashley Swearengin
Mayor of Fresno

Before the
Transportation and Infrastructure Committee
U.S. House of Representatives

on

California High Speed Rail

December 15, 2011

Good morning, Mr. Chairman and members of the committee. My name is Ashley Swearengin, and I am the Mayor of Fresno, California. Thank you for the opportunity to address the Committee this morning.

I am pleased to offer my comments today in support of High Speed Rail as a cost effective transportation mode that makes a profit and drastically reduces travel times between regional destinations.

In reviewing the record of Congress, including this committee, I am pleased to see that there has been bi-partisan support for High Speed Rail dating back to the early 1990s through Republican and Democrat Administrations and Congresses alike. As a Republican mayor, and former economic development professional, I applaud that position and share that view for three reasons.

First and foremost is High Speed Rail's profitable business model. No other transportation mode in the world makes a profit and requires no public subsidies for operations. Yes, public dollars are required for the upfront capital costs, just as they are to construct highways, low-speed rail systems, or airports. But, once the capital costs are provided for High Speed Rail, the operational costs are paid for by the farebox – and you can't say that about any of these other transportation modes.

The second reason why I support High Speed Rail is the vast reduction in travel times it offers. Today, when Fresnans need to travel to Los Angeles, they have four choices – car, plane, bus or low-speed passenger rail. Of those choices, the fastest option is to drive, which will take four hours IF you don't run into traffic. What are the chances of NOT hitting traffic in the L.A. Basin? Very good if you don't mind travelling between about 11:00 p.m. and 5:00 a.m. With High Speed Rail, travel times to the L.A. Basin are reduced by over 60% to about an hour and 20 minutes. The same is true when connecting to the Bay Area.

I was asked recently when the last time was that I chose to take Amtrak. My answer? I almost never take Amtrak because it takes me so much longer to arrive at my destination than if I just drove my own car. I choose the fastest transportation option that I can afford. Saying Californians won't choose High Speed Rail over their cars because they're not currently riding Amtrak is like saying "I didn't like my dial-up Internet service so I'm not going to like a fiber connection to my home." It's the wrong measuring stick. They are two completely different services.

The last, major reason I believe we need to pursue the development of High Speed Rail in California is because of the affordability of the ticket price. The business plan indicates the fare on High Speed Rail will be priced at 80% of what an airline ticket costs in LA or San Francisco, which is a tremendous cost savings for us in the middle part of the state. You see, a round trip airplane ticket from SFO to LAX is between $120 and $180. If you're in Fresno trying to fly to either LAX or SFO, you have to be prepared to pay at least $250 if you're buying a month ahead and as much as $1400 to $1500 if you're buying just a few days in advance.

Again, we are talking about a transportation mode that makes a profit, requires no public subsidy for its operations and can be fully commercialized and operated by the private sector; reduces travel times by over 60% for regional travel; and offers an affordable ticket price (especially for Fresnans who are paying, in some cases, 10 times more for regional air service)...this is something worth pursuing.

No city will benefit more from High Speed Rail than Fresno, a city of 500,000 people situated in one of the fastest growing regions in the country that is already home to 4,000,000 people.

Unfortunately, Fresno's distance from other major urban areas has limited our economic opportunity. Unemployment rates range today from 14% to 40% in Fresno County. Our region struggles to gain access to the economic networks of the L.A. Basin and the San Francisco Bay Area.

High Speed Rail changes that dynamic for a city like Fresno, which is why our local business organizations endorse this project. I submit today for the record letters of support from the Greater Fresno Area Chamber of Commerce, the Central California Hispanic Chamber of Commerce, the Fresno Area Hispanic Chamber of Commerce, the Fresno Metro Black Chamber of Commerce and the Economic Development Corporation Serving Fresno County. The membership of these organizations is comprised of literally tens of thousands of businesses from throughout Fresno and the Central California region.

I also submit today for the record a January 7, 2011, op-ed written by the mayors of Los Angeles, San Francisco, San Jose, Sacramento, and Fresno. Together, we lead cities with a combined population of 6.5 million people. While there are differences between these mayors when it comes to partisan politics, we recognize what a smart solution High Speed Rail can mean for one of the biggest challenges our state faces: transportation congestion and mobility. Without solutions for California's transportation challenges, our economy is hamstrung, and California's economy being hamstrung does not bode well for the rest of the United States.

In closing, I want to tell you about a business called Commercial Manufacturing that's known worldwide for the production of food processing equipment. If you've ever popped one of the "meal in a bag" products into your microwave you've probably eaten a product processed by Commercial Manufacturing's equipment. It's a great small business that employs 41 people and exports its products all over the world helping to add wealth to our economy.

Their world headquarters are at 2432 South Railroad Avenue in Fresno, which is right in the path of the proposed High Speed Rail alignment through Fresno. If constructed as proposed, High Speed Rail will plow through 3 to 5 of Commercial Manufacturing's buildings. Of all the people in Fresno whom you would expect to be upset about the proposed High Speed Rail train, it would be Larry Hagopian, the business owner.

The business has been in his family for 73 years. Mr. Hagopian's reaction to the proposed project? He says, "I see this as an opportunity to upgrade our facility which will allow us to improve our manufacturing techniques, thereby increasing sales which will increase our number of employees. Also, as a lifetime resident of Fresno, I see this project as a chance for Fresno to clean up its south and west sides bringing more people back to the core of downtown, not to mention the positive economic impact on the community from the jobs associated with high speed rail."

Mr. Hagopian's statement captures the sentiment I wish to convey to the Committee today. High Speed Rail is not without its challenges, but its operating model, dramatic improvements in travel time, and affordable ticket price make it a compelling opportunity for our state and nation. I urge support for High Speed Rail from this Committee and I urge your help with clearing the way for High Speed Rail in our nation.

Testimony of
Gregory R. Gatzka, Director
Kings County Community Development Agency

Before the
Committee on Transportation and Infrastructure
U.S. House of Representatives

"California's High-Speed Rail Plan: Skyrocketing Costs & Project Concerns"

December 15, 2011

Chairman Mica and Members of the Committee, it is a pleasure to be here before you today and share our experiences and observations from what we call the "front lines" of California's high speed rail implementation. As a local official representing Kings County in California, we are witness to a series of failures by the California High Speed Rail Authority (CHSRA) which has significantly compromised the chances for successful project implementation. In summary, I hope to provide a better understanding of how Kings County went from a supporter of high speed rail to completely opposing all high speed rail through Kings County.

Kings County, California

Kings County is one of the smaller rural/agricultural counties in one of our nation's most fertile growing regions known as the San Joaquin Valley. Our county is also home to four incorporated cities (Avenal 15,505 pop., Corcoran 24,813 pop., Hanford 53,967 pop., and Lemoore 24,531 pop.) as well as one of our nation's most strategic western defense bases - Naval Air Station Lemoore (NASL) which houses twenty F-18 squadrons that support the Pacific Fleet.

Kings County covers approximately 1,391 square miles with a total population of 152,892 (2010 Census). Most of the population is concentrated along the county's northern boundary near the Kings River. The vast majority of urban growth in the valley, however, is in neighboring counties along the State Highway 99 corridor. Absent those growth pressures, Kings County is uniquely situated to more effectively manage growth while progressively preserving prime agricultural land. NASL shares this commitment as agricultural preservation also serves to protect the base from urban encroachment and ensure long term operational effectiveness. A Joint Land Use Study adopted in 2011 reaffirms this joint commitment.

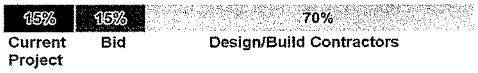
On January 26, 2010, the Kings County Board of Supervisors (KCBOS) adopted the 2035 Kings County General Plan establishing a land use policy framework for smart growth implementation and greater resource protection. As the primary author of this comprehensive plan, policies were designed to build collaboration with State objectives (i.e. food production, renewable energy, and transportation). However, at the time of adoption minimal high speed rail alignment information was made available, and Circulation Element Policy C1.2.4 was established for Kings County to:

> **"Coordinate with the California High Speed Rail Authority and Caltrans if a high speed rail corridor is to be established within the County, and plan for the establishment of transportation linkages to the nearest High Speed Rail Station."**

CALIFORNIA HIGH SPEED RAIL – FALTERS IN PLANNING PROCESS

The California High Speed Rail Authority (CHSRA) first officially proposed and adopted conceptual high speed rail alignments through California to connect Los Angeles to San Francisco when the California High Speed Rail Program Environmental Impact Report/Environmental Impact Statement was adopted in 2005 (Program EIR/EIS). The Program EIR/EIS indicated the next step in the process would be to develop a more specific Project level EIR/EIS for specific segments that would tier off of the Program EIR/EIS. Instead, CHSRA engaged larger cities garnering support with the enticement of potentially locating a station or heavy maintenance facility in their jurisdiction. Substantial support from Fresno County interests and Kern County interests set the stage to connect proposed high speed rail facilities in Fresno and Shafter, thus veering away from the State Highway 99 corridor. In 2007, CHSRA released a "Station Feasibility Study" that was actually determining preferred routes and new alignment considerations not covered in the Program EIR/EIS to accommodate supporting communities. Although new alignments not addressed in the Program EIR/EIS were proposed without environmental review and without public comments, these efforts resulted in two Project level Draft EIR/EIS documents (Fresno to Bakersfield Section, and Merced to Fresno Section) released on August 15, 2011.

15% Project Design Approach



CHSRA relied upon a 15% design approach to provide the public, local communities and others with only partial project information. Many project related questions from the public and impacted communities went and remain unanswered, and CHSRA staff and consultants kept rail alignment maps and documents in mostly an un-releasable format. As the Draft Project EIR/EIS neared completion and release in August 2011, CHSRA maintained reliance on only 15% of the project design to determine all potential impacts. This reliance on 15% design lead to incomplete and inadequate impact and mitigation analyses, thus greatly increasing the risk to project environmental scrutiny, and future potential cost overruns and change orders.

In attempting to understand the reasoning behind such a limited detail deficient project approach, CHSRA staff and consultants quickly referenced the need to comply with the Federal Rail Administration American Recovery and Reinvestment Act (ARRA) funding deadline in 2012. Essentially, meaning that the prioritized spending of ARRA funding overrode the need to fully address specific project details, impacts and mitigations and instead tended to pre-determine outcomes. CHSRA seemingly chose to rely on future contractors to work out project impacts and develop undetermined mitigation solutions from only 15% design. This is an impossible undertaking that by its very nature circumvents full disclosure and analysis required by the California Environmental Quality Act (CEQA) and National Environmental Policy Act (NEPA). This "fill in the blanks later" approach to project approval will surely result in greater project change orders and cost overruns. In addition, it completely overlooks vital components for local integration with existing local and state roadways, and existing land use and circulation policies and mitigation of impacts therefrom. This deprives the public of the ability to fully understand impacts and how they will be addressed, and deprives local agencies of the opportunity to assist in finding common solutions that achieve minimal impacts to communities.

CHSRA Avoidance of Public Concerns
Consistent with its General Plan Circulation Element, Kings County has attempted to coordinate with CHSRA. Consistent with the requirements of NEPA and other federal laws, Kings County has demanded the CHSRA coordinate its project and resolve conflicts. The county has provided extensive detailed information about its concerns and demanded resolution, but the CHSRA, on the advice of its legal counsel, have and continue to refuse to coordinate its project. Because the Federal Railroad Administration (FRA) is a co-lead agency and federal funds are involved, and due to the refusal of CHSRA to coordinate, Kings County has demanded of the FRA that they step in and coordinate as required by NEPA. Extensive information has been provided to the FRA, but the FRA chose to provide an empty form letter response and has made no attempt whatsoever to coordinate with Kings County.

Incomplete and Inadequate Project EIR/EIS
In avoiding public disclosure of project specific details, CHSRA officials routinely directed the public and local agencies to find project answers in the Project EIR/EIS documents. CHSRA only allowed for a minimal public review and comment period, and forced many impacted stakeholders to review thousands of pages of technical documents to find answers. What was discovered in that review was the omission of analysis related to many impacts previously brought to the attention of CHSRA.

Surprisingly, agricultural impacts were minimally addressed and did not even begin to analyze issues such as pesticide drift, irrigation, access to cut off properties, electromagnetic fields around dairies, dairy relocation, etc. Other noteworthy omissions are impacts related to emergency services, local roadways and highways, local businesses, and local resources. For instance, several overpasses outlined by CHSRA nearly double the number of property and business impacts yet remain unaddressed. In addition, critical public facilities identified to CHSRA were not even analyzed. Without impact acknowledgement, the documents followed by being silent on evaluating potential mitigation. In many cases, mitigation for agricultural impacts was deferred to be addressed by the CHSRA contracted right-of-way agent to determine.

As the Project Section Draft EIR/EIS documents were fast tracked to meet the FRA ARRA funding deadline, the lack of complete project specific information has led to insufficient information for adequate review all potential impacts. Even at the document beginning, it fails to provide a clear and detailed enough project description to set the framework for adequate environmental analysis. This leaves the public with insufficient information to understand what potential impacts may result. Yet, even at present, CHSRA continues to develop many of the specific project details that were not fully disclosed in either Project Draft EIR/EIS documents. Interesting to note that these inadequacies were also the basis for Bay Area litigation against the CHSRA from their Program EIR/EIS approved in 2005, which claimed this environmental document:

- did not have an adequate project description
- did not give adequate consideration to the Project's impacts on the environment
- failed to propose adequate mitigation measures to address the Project's significant impacts.

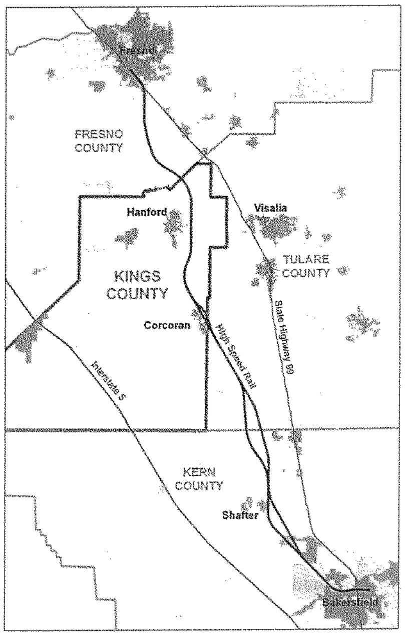
Insufficient Public Comment Time
The two Project Section Draft EIR/EIS documents were preceded by limited disclosure of project specific details by CHSRA which left many unanswered questions. After their release, numerous requests were made for additional public comment review time. Despite these requests, CHSRA proceeded to stand firm on only allowing the State required minimum public review time to review 30,000 plus pages (represents only one set of Project Section Draft EIR/EIS) of technical documents.

- **August 15, 2011** – CHSRA released two project level Draft EIR/EIS documents (Fresno to Bakersfield Project Section, and Merced to Fresno Project Section) for 45 day public comment
- **September, 2011** - CHSRA allows a token 15 day extension
- **October 13, 2011** – public comment period ended
- **October 5, 2011** – despite numerous requests for a 180 comment period extension CHSRA chooses to introduce a new Hanford West alignment in the "Fresno to Bakersfield Section" only and claims that they now allowed additional time to review the original documents. The Hanford West alignment was the original alignment in the Program EIR/EIS that was discarded by CHSRA, and requested to be re-added by U.S. EPA and Army Corp. of Engineers as there was noted greater risk of challenge to the project with only one alternative alignment.

Heavy Reliance on Public Relations
As legitimate issues of concern have arisen, many of these project concerns have not gained much media attention. This may be due to the fact that CHSRA has an estimated $12 million devoted to public relations for their projects. Interestingly, recent public disclosure of the Ogilvy Public Relations Worldwide contract and others have demonstrated that a significant amount of public tax dollars are being spent to maintain a positive public image for CHSRA. This would not have been the case had the CHSRA project been truly "shovel ready" and had all its engineering and environmental clearances done. It is clear that considerable efforts are poured into monitoring and responding to media.

CHSRA officials are often quoted in the media as saying that they are working closely with local communities and have had numerous meetings. However, the truth of the matter is in the project details and content of those meetings which tells a different story. The reality is that CHSRA has provided few project specific details in these meetings, and mostly asks questions like "tell us what you like and don't like about the project." In the cases where there are legitimate issues needing to be resolved, the CHSRA officials are often silent and provide no response, or they direct you to find the answers in the environmental documents. This approach has greatly hindered any meaningful good faith effort towards cooperatively resolving issues. Instead, CHSRA's mantra has often been "find your own answers" and "analyze and mitigate later."

HIGH SPEED RAIL DEVASTATION IN KINGS COUNTY



The Fresno to Bakersfield Project Draft EIR/EIS proposes high speed rail to cut through 28 miles in Kings County, traveling through the City of Corcoran and prime agricultural land. A proposed optional station (referred to as "Kings-Tulare Regional Station") is to be located east of the City of Hanford, outside planned urban growth boundaries. The proposed rail alignment referred to as the "BNSF Alignment," aligns with only about 5 miles of existing BNSF rail near Corcoran, before crisscrossing through the county's prime agricultural land and dairy industry region known locally as the county's "Dairy Belt" which serves as a major economic generator for the county. Interestingly, the diagonal crosscutting pattern developed by CHSRA was not covered in the Program EIR/EIR, but instead added in 2007 to accommodate Tulare County interests. The original Program EIR/EIS alignment running west of Hanford was discarded by CHSRA in the Project EIR/EIS, only to be re-introduced on October 5, 2011 after considerable opposition arose to the BNSF Alignment.

Kings County is the smallest of the four counties impacted along the Fresno to Bakersfield Section Project EIR/EIS, yet faces the greatest agriculture related impacts along this route according to the Project EIR/EIS. Communities in the county rely heavily upon agriculture as a major component of the local economy, while larger county neighbors to the north, east and south have greater population and diversified economies.

Kings-Tulare Regional Station

Kings County happens to have the only CHSRA proposed station located outside of an existing urbanized area, and outside of any planned urban growth area. This poses significant challenges as it is located in prime agricultural land identified for priority preservation, and conflicts with local land use plans. As an urban use, the station would potentially incite increased urban sprawl and leap frog development in a manner that completely disregards coordinated city and county comprehensive land use plans, Local Agency Formation Commission established urban growth boundaries and provisions for municipal services. CHSRA relies upon this station location to justify access to a population of 450,000 within a 20 mile radius for their ridership model. Even though California Proposition 1 A specifically outlines funding for 22 proposed stations, the Kings-Tulare Regional Station is identified as a "Possible Station" that is not recognized for funding as it is the 24th station. The Project Draft EIR/EIS avoids analyzing this potential station by claiming that there are "no construction details" available.

Specific Unresolved Impacts
Some of the more noteworthy specific impacts relative to Kings County that were not adequately addressed in the Fresno to Bakersfield Project Section EIR/EIS despite numerous meetings where these concerns were brought to the attention of CHSRA include:

1. Approximately 7,100 acres of severed and/or disrupted agricultural acres.
2. 11 impacted dairies that may require substantial regulatory agency re-permitting and time delays.
3. Baker Commodities that provides critical cow rendering services to 800 dairy operations and would require re-permitting and relocation.
4. Kings County Fire Station No. 4, along with the regional firefighter training grounds, and helipad that supports SkyLife medical helicopter transport, Fire Department search and rescue helicopter utilized by CalFire, and Kings County Sheriff patrol surveillance helicopter operations.
5. Other emergency services including local fire, law enforcement and public works to support the CHSRA project.
6. CHSRA Project crosses over a $66.6 million Central Valley Next-Generation Broadband Infrastructure Project. This Broadband Fiber Optic project has $46.6 million in ARRA funding, and $20 million in private matching funds.

All of these local businesses, critical county operations, and ARRA funded project are not fully addressed in the Fresno to Bakersfield Project Section Draft EIR/EIS. In addition, this EIR/EIS determines that there will be disproportionate economic impacts to Kings County in comparison to surrounding counties that seek to benefit economically from the project.

Kings County has estimated the potential economic impacts from construction of the high speed rail "Initial Construction Segment" in Kings County to be significant:

- An estimated $100 million annual economic loss could result to the county
    - 8,203,595 Annual ag production loss
    - 28,700,000 Estimated annual supporting industry loss
    - 50,000,000 Estimated annual dairy industry loss
    - 11,000,000 Annual downtown business loss from Amtrak
    - 1,100,000 Estimated annual property tax loss
- In comparison, the Project EIR/EIS claims Kings County will economically benefit by $700,000 in short term construction related sales tax generation according to **Section 3.12.5 Environmental Consequences, B. High-Speed Train Alternatives on Page 3.12-37.**
- In relation to **Agricultural Businesses on Page 3.12-66** there is no analysis of the potential loss or disruption of existing jobs.

Use of Amtrak as "Independent Utility"
CHSRA has prepared a Fresno to Bakersfield Section Project EIR/EIS that only hints to the possible utilization of Amtrak on the high speed rail line if funds are not available to complete a true high speed rail operational segment. However, the Business and Funding Plan released on November 1, 2011 expands considerably upon Amtrak as a "backup" plan to ensure there is some usability for the HSR right of way if future funding does not occur. According to statements made by CHSRA, if additional HSR funding is not available "at best this project would result in a 45 minute improvement in Amtrak San Joaquin service."

The potential switch of Amtrak's San Joaquin service over to any proposed CHSRA route would result in the loss of the Hanford Amtrak Station and Corcoran Amtrak Station. Amtrak connectivity in both these cities provides added sources of visitor revenue. Hanford downtown businesses estimate that the loss of the Amtrak station in Hanford could result in the loss of $11 million annually to downtown business. These economic and other Amtrak related issues have not been addressed by CHSRA.

Deferred Mitigation

In seeking the least costly project commitments, CHSRA environmental documents consistently outline deferred mitigation to address potentially significant impacts upon local property owners, agricultural operations and other business. A typical mitigation response in the Project EIR/EIS documents is the deferral of specific impacted private property mitigation being deferred to future contracted right of way agents to determine after project approval.

Examples from the Fresno to Bakersfield Project Section Draft EIR/EIS

- **Section 3.12.5 Environmental Consequences, Agricultural Businesses, Page 3.12-66**
  The Project EIR/EIS refers to a "relocation plan" for dairy operations and the unique rendering facility in Kings County be developed later. However, the same "to the extent feasible" escape clause is built in to the relocation efforts as is typical with other aspects of this Project to allow as much cost avoidance as possible while keeping the Project on track for development. As this Project does not fully evaluate the potential cost of relocation efforts because there is no accounting of property specific facilities, infrastructure, crops, and other factors, the CHSRA has failed to fully inform the public and the decision makers of all potential costs associated with relocation of impacted properties in Kings County.
- **Section 3.12.5 Environmental Consequences, Economic Effects on Agriculture, Page 3.12-74**
  The Project EIR/EIS addresses impacts to agriculture production loss by providing generalized simple statements such as "reduction in agricultural production can be expected." There is no further analysis or evaluation of what that impact or loss actually is. Instead, mitigation and loss is to be determined by the right-of-way agents.
- **Section 3.12.5 Environmental Consequences, Economic Effects on Agriculture, Page 3.12-74**
  The Project EIR/EIS addresses impacts to dairy operations by claiming that "operations would be required to reduce the number of cows housed at the facility." There is no analysis or quantification of associated economic costs to the impacted dairy operations. Dairy operators have had to hire their own consultants to evaluate the future permitting and sustainability of their individual agricultural businesses which will be impacted. CSHRA defines that these impacts are to be determined later and resolved by the right-of-way agents.

DISREGARD OF LOCAL CONCERNS

Public statements and media portrayals of CHSRA profess to claim they are working with local governments and the public. However, their well documented actions demonstrate a different reality, one that involves a "get the project done no matter what" attitude. The concerns of property owners, business owners, and local government have been dismissed. Lists of specific instances of disregard include:

- Deplorable treatment by Curt Pringle, then Chairman of the CHSRA at its May 5, 2011 meeting, when Kings County Farm Bureau's Executive Director, Diana Peck attempted to raise concerns with the project. He spoke in a condescending tone, dismissive of the concerns raised and stated that the Authority had done all it was going to do with Kings County and other local entity's positions. Mr. Pringle dismissed Ms. Peck by stating that she did not represent the county and that if she had concerns "put it on a note." (see: http://www.cahighspeedrail.ca.gov/displaycontent.aspx?id=10048)

- New Chairman Umberg continued the disregard for Kings County, at the Authority's July 14, 2011 Board meeting in Bakersfield when he, unilaterally cut off the unscheduled public comments of sixteen waiting Kings County residents by moving them to the end of the agenda and then shutting down the meeting after they had waited five hours and before they had a chance to speak. This was done even though they had submitted speaker cards and denial of their right was brought to the attention of counsel from the State Attorney General's staff present. The Authority Board then attempted to make good by requesting they provide their comments at the August 25, 2011 meeting in Sacramento. (see: http://www.cahighspeedrail.ca.gov/displaycontent.aspx?id=10385)

- During a September 2011 public hearing in Hanford, California, to discuss the recently issued EIR/EIS, a 33 second video captured the Authority's newly hired Deputy Director of communications, Lance Simmons, falling asleep as people testified.

- During its November 3, 2011, Authority Board meeting Kings County resident, Frank Oliveira, one of 32 county residents who traveled several hours to Sacramento to voice concerns at the Authority's monthly board meeting, was approached by two California Highway Patrol officers to leave the podium after speaking approximately 26 seconds past his allotted **one minute** public comment period. (See: http://www.cahighspeedrail.ca.gov/offsite_redirect.aspx?id=11299)

Other Jurisdictions

Other impacted jurisdictions and their citizens who have raised concerns have received similar treatment. Listed below are excerpts and links:

- **City of Chowchilla, City Council Meeting – July 25, 2011**
  City Council considers and adopts Urgency Ordinance on July 25, 2011 to prevent high speed rail construction in the City. On August 8, 2011, the City Council considers extension of Urgency Ordinance No. 459-11 due to unresolved impacts and concerns with the CHSRA project.

David Alexander, Mayor – the Mayor has stated that the City had thought the CHSRA was working with the City to design a least impacting route through the City. The city even devoted their limited city planning and engineering staff over an entire year to work with CHSRA, only to find out that all of their recommendations and mitigations were discarded. http://ci.chowchilla.ca.us/councilminutes/08%2008%2011%20cc%20rda%20minutes.pdf

- **City of Bakersfield, City Council Meeting – September 14, 2011**
  City Manager Alan Tandy – expresses great concern to the City Council over how the CHSRA is conducting business. He states that the City's input and recommendation have been discarded.
  http://player.ci.bakersfield.ca.us/media/Council/2011_9_14cc-v2.wmv

- **City of Fresno, City Council Meeting – October 16, 2011**
  Scott Mosier, Assistant Public Works Director – stated that some 600 (or upwards of 1,500) businesses may be forced to move, and that the 15% design build will have issues because the CHSRA will still be working out issues as they go. There will only be limited direction provided in the EIR document. He stated that the "city does not want the Authority to throw out alternatives due just to cost." Most importantly, he stated that "It is very frustrating to not have the detail to know what the impacts will be to landowners."

  The Fresno City Council later confirmed that the CHSRA project leaves too many questions unanswered, and requested staff to formally acknowledge that the city considers the environmental reports inadequate.
  http://www.fresno.gov/video/council/CouncilVideo111006.asx

Requests for Coordination
CHSRA and Federal Railroad Administration (FRA) have and continue to refuse to coordinate their Project with Kings County despite repeated requests which included detailed concerns. Only a quick overview of Kings County's well-documented efforts are summarized below. The bottom line is that the Authority simply does not care what Kings County's concerns are. In bringing these issues to the FRA, they disregard their very own procedures ("Procedures for Considering Environmental Impacts" FRA Docket No. EP-1, Notice 5) that require consultation with local authorities to ensure environmental issues are addressed at the earliest opportunity, and that evidence of consultation be provided.

- **May 25, 2010** Kings County Board of Supervisors (KCBOS) adopted Resolution No. 10-033 supporting continuing development of high speed rail on a statewide basis, with a unified approach for the Central Valley, along existing transportation corridors, and opposing alignments where transportation corridors do not exist.
- **March 1, 2011** KCBOS adopted Resolution No. 11-015 to document its concerns and insist that CHSRA coordinate with Kings County to resolve issues as early and quickly as possible.
- **March 4, 2011** KCBOS sent letter to CHSRA CEO Roelof van Ark requesting government to government coordination.
- **March 29, 2011** Mr. van Ark responded to coordination request by stating that they "are absolutely committed to working with our local partners" and that he had assigned

Jeff Abercrombie, Central Valley Area Program Manager, to work directly with Kings County.

- **April 11, 2011** Mr. Abercrombie advised that he disagrees with Kings County's request for coordination and instead requested the county provide input to a Technical Working Group for the Fresno to Bakersfield section.
- **April 19, 2011** KCBOS held its first coordination meeting where specific department by department concerns were raised related to the proposed project. Mr. Abercrombie and CHSRA consultants did not address the specific concerns. Instead, Mr. Abercrombie conveyed that they did not agree with our "legal basis for the effort of coordination" but did indicate "over the course of the next several months, we do expect to be back here and I do expect to provide the answers you are seeking…" This did not occur.
- **May 6, 2011** KCBOS sent a detailed letter to then CHSRA Chairman Curt Pringle summarizing the concerns and questions raised at the attempted coordination meeting on April 19, 2011, and requested a follow up meeting where the Authority would be requested to reply to the county as to how it would resolve conflicts and concerns identified.
- **May 17, 2011** Rather than provide a follow-up coordination date, Mr. Abercrombie indicated he wanted to meet to "verify that we have covered the issues of concern in the environmental document" and stated, as though he had never met with Kings County before, "[i]f there are issues of particular interest that you wish to discuss, please advise…"
- **May 27, 2011** KCBOS again responded that it seeks coordination on this project not just referral to a yet to be released Project EIR/EIS. KCBOS requested a copy of the administrative Draft EIR/EIS to review prior to its release to determine if its concerns were addressed. It also again requested a follow-up coordination meeting.
- **June 7, 2011** KCBOS held a second coordination meeting with Mr. Abercrombie wherein he indicated he could not answer most questions and stated that "all of the answers to your questions will be in the Project EIR/EIS".
- **August 2, 2011** KCBOS sent a letter with attachments (338 pages including transcripts from April 19 and June 7, 2011 meetings) to Joseph Szabo, FRA Administrator requesting coordination because CHSRA had refused to do so.
- **August 24, 2011** KCBOS sent letter to California Governor Jerry Brown requesting intervention in the Fresno to Bakersfield Segment as the Project Draft EIR/EIS was released on August 15, 2011 and, despite CHSRA's assurances, did not address Kings County's concerns.
- **September 12, 2011** Mr. Szabo acknowledged receipt of the August 2, 2011 KCBOS letter. He did not address any of the issues raised by Kings County. Instead, he directed the county to the Project Draft EIR/EIS.
- **September 21, 2011** Although both CHSRA and FRA refused to coordinate its project, it attempted a short notice meeting with no specific agenda as they were passing through the Valley for public hearings. They requested a meeting with counterparts at the county rather than the Board of Supervisors, even though they were acutely aware of the KCBOS' repeated coordination attempts.
- **October 12, 2011** KCBOS submits comments on the Fresno to Bakersfield Project Draft EIR/EIS which outlines unresolved concerns and issues with HSR plans through Kings County.

- **November 2, 2011** KCBOS sends letter to Mr. Szabo with FRA, a 26 page response to his September 12, 2011 letter reiterating the unresolved issues with the CHSRA project running through Kings County. A request is again made to coordinate this project with local plans and concerns as there is sufficient time with the additional six month period while CHSRA prepares the Hanford West alignment as an alternative.

Disregard of California Legislative Analyst's Office Concerns
The Authority has not only ignored Kings County's concerns, but also that of the California LAO's office. In a November 29, 2011 report on "High-Speed Rail Authority: The Draft 2012 Business Plan and Funding Plan" it detailed, in summary, some of the following major problems which are critical and relevant to Kings County:

- **Initial Construction Segment (ICS) Proposed Using Committed Funds** (Page 3) - the LAO states that the ICS between Merced and Bakersfield will have "Independent Utility" by switching Amtrak San Joaquin service. Yet the impacts of such a proposal have never been addressed by CHSRA and pose significant economic impacts to Kings County businesses.
- **Economic Impact Analysis is Imbalanced** (Page 8) - the LAO states that "the plan does not estimate economic losses from negative impacts to businesses from right-of-way acquisition and rail construction activities." This determination is reinforced by the numerous events that transpired where CHSRA has ignored local concerns and produced incomplete Project Draft EIR/EIS documents.
- **Independent Benefits of ICS Unlikely to Justify Expense** (Page 8) – the LAO states that it is doubtful that substantial additional federal funds will be available. Therefore, it is "likely that the ICS may be all that is ever built." This confirms the worst case scenario for Kings County as it will experience a disproportionate degree of economic impacts to a smaller county community that is more highly dependent upon agriculture. Kings County faces the greatest agricultural impacts along the Fresno to Bakersfield Project Section as indentified in this segment's Project Draft EIR/EIS.

CHSRA Ag Working Group
On March 17, 2011, the California Assembly Agriculture Committee, and the Select Committee On High Speed Rail set a joint hearing seeking to address high speed rail impacts on agricultural lands. At this meeting it was requested by the agricultural community that an "Agriculture Committee" be formed to bring greater accountability in addressing impacts to agriculture. This work was to have been done before the release of the Project Section Draft EIR/EIS documents. The release of the EIR/EIS documents occurred on August 15, 2011, and public comment closed on October 13, 2011 without the formation of an agriculture committee.

However, at the November 3, 2011 CHSRA Board meeting CEO van Ark stated that "the ag working group has met 5 times and addressed all agricultural impacts." These impacts included high speed rail wind, pesticide drift, dairies, noise, vibration, irrigation, equipment movement, and agricultural lending. Little to no information was made available on this group or meetings, and so on November 10, 2011 a public records request was made to CHSRA.

On November 17, 2011, CHSRA responded to the request by providing only agendas and cursory information. However, the one item worth noting is Project Manager Jeff Abercrombie's memo to CEO van Ark dated November 14, 2011. In this memo Mr.

Abercrombie stated that "the group will need three to six more meetings to complete its work." What Mr. Abercrombie was referring to is a list of high speed rail related impacts upon agriculture that were not addressed in either of the Project Draft EIR/EIS documents. Obviously, the intent of CHSRA is to address these agriculture related issues after the public comment period has closed. This effectively avoids public disclosure and review of this new information prior to release of the Final Project EIR/EIS documents that CHSRA will base their decisions on. Clearly, this afterthought process to address agriculture impacts circumvents the intent of both State and Federal environmental laws that are designed to protect the public by requiring full disclosure of potential impacts and evaluation of potential mitigation.

CONCLUSION

In Kings County the "stakes" are high, and continued disregard for local concerns and issues places Kings County in an undesirable role of being a rural/agricultural community sacrificed for the greater good of other larger communities. Kings County has always remained committed to working cooperatively with State and Federal agencies, but when it comes to high speed rail there is no good will in return. Despite repeated calls to State and Federal officials to resolve these matters before the project moves forward, the county's requests continue to go unanswered and remain unresolved. CHSRA and FRA officials claim Kings County to be "naysayers" and "nimbys," yet the countless documentation tells a different reality. If CSHRA and FRA can not work with the smallest of rural/agricultural counties in California's San Joaquin Valley, who can they work with? As Kings County has attempted to bring legitimate issues to the attention of both CHSRA and FRA to resolve them early in the process, their uniform response has been clear. They seek only to "steamroll" over any critics or opposition instead of build a sustainable public supported project.

In closing, Kings County commends this Committee for asking the hard questions, and demonstrating integrity and public accountability as it seeks answers to how high speed rail is being implemented in California.

CA|RR|D Californians Advocating Responsible Rail Design

www.calhsr.com | info@calhsr.com

TESTIMONY OF
ELIZABETH GOLDSTEIN ALEXIS
CO-FOUNDER, CALIFORNIANS ADVOCATING RESPONSIBLE RAIL DESIGN

BEFORE THE

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
UNITED STATES HOUSE OF REPRESENTATIVES

"California's High-Speed Rail Plan: Skyrocketing Costs & Project Concerns"
December 15, 2011

Mr. Chairman, Members of the Committee,

Thank you for the opportunity to appear before you and testify about the California High Speed Rail Project.

My name is Elizabeth Alexis and I am a co-founder of Californians Advocating Responsible Rail Design (CARRD). CARRD is a non-partisan volunteer network that has been following the California High Speed Rail project since 2009. We value transparency, accountability, and oversight and believe local communities should be partners in designing transportation projects. We work to ensure that the public's interests are upheld and that all facets of the California High Speed Rail project follow both the spirit and the letter of the law. We do this by encouraging civic engagement, providing in-depth and relevant analysis, and advocating for changes in how projects are planned.

My specific work for CARRD has focused on reviewing the business plans and the ridership forecasts for the project as my background is in finance and economics. I have given invited testimony on these subjects on multiple occasions to the California State Senate and Assembly.

My undergraduate studies in Mathematics & Economics were at Yale University and my graduate work in Economics was at Stanford University. I was a vice-president at Bankers Trust Company (now Deutsche Bank) in New York in the global capital markets division and am now a partner in a Palo Alto - based investment advisory business.

We formed CARRD because we believe rail projects will be an important part of solving California's current and future transportation needs but were concerned that planning efforts in California had undergone remarkably little scrutiny and seemed to be on the wrong track.

The costs were clearly underestimated and most of the proposed funding was speculative at best. The California High Speed Rail Authority who was charged with implementing the project had been operating as a small, poorly funded organization for most of its existence, disconnected from regional transportation planning efforts. To secure the necessary support of cities and lawmakers, impacts had been downplayed. This led to critical decisions about the route being made without sufficient feedback on their feasibility.

Our biggest concerns, however, were about the project's organizational structure which seemed to be designed to fail. There were seven staff members overseeing more than 100 different consulting firms. The route was divided up into 10 different segments of about 80 miles each. A different engineering firm was hired to plan each section. Each of those firms hired their own outreach team and specialists. All of the engineering firms were overseen by another engineering firm called Parsons Brinckerhoff. Parsons Brinckerhoff's work was to be reviewed by yet another engineering firm. This created a coordination nightmare that only served to increase the billings of the firms involved who were being paid on a "cost-plus" basis. Planning work was heavy handed, reminiscent of the early days of highway development. This resulted in plans that are expensive yet poorly integrated into local planning efforts, like the massive 6 mile multi-billion dollar aerial structure planned for San Jose. The multiple layers of consultants have made communication difficult and limited flexibility.

And just as planning was starting to kick into high gear, the project was awarded ARRA funds, that came with various deadlines that presumed the existence of shovel ready projects. These deadlines drove decision-making in California and kept the existing 4-layered consulting structure in place. It was clear, even two years ago, that these deadlines could be deadly to a project that needed substantial rethinking.

In retrospect, many of these deadlines were false ones. The Authority believed that they could only use grant money on a segment that had been environmentally cleared by September 2011. This led to a focus on the Central Valley where it was believed that approvals would be relatively easy. We are now in December 2011 and it is unlikely, given some significant errors made by the Authority in the environmental planning process, that the Central Valley segments will be cleared until 2013.

The California High Speed Rail project is at a crossroads.
The Authority released their latest business plan in November. The new $98 billion price tag is both a reason to step back and rethink the project, as well as a vivid illustration of its problems.

The California voters approved $9 billion in bonds for a high speed train system, but it was not an open checkbook. Policy makers in California are concerned about the potential fiscal impact on state and local budgets. Recent polls verify a significant loss in support due to the higher price tag and continued missteps by the Authority.

Despite the project's flaws and flagging support, there are pressures to continue moving forward without substantive changes. Legislators are hesitant to jeopardize Federal funding and fear that any loss in momentum will be fatal for the program.

This could result in the use of more than $6 billion of public funds for earthwork and concrete that will wreak havoc to local transportation grids yet still be $25 billion short of actually being something that will run high speed rail. The proposed tracks have been described as potentially being useful for Amtrak, however there has been no real analysis of whether this is feasible or desirable.

If the project moves forward as is, there is a good chance that the State will have to devote more of its precious General Fund dollars towards trying to salvage something useful from the initial construction. This will be to the detriment of other transportation projects around the State as well as education, which has already been hit hard by continuing cutbacks.

The 2012 Draft Business Plan

The briefing report contains an excellent summary of the various changes that have occurred in the business plan. We would highlight a few of those key findings:

- **$98 billion** - True project costs are much higher than previously acknowledged.
- **No upfront private investment** - Private investors will not participate before significant public investments prove ridership potential.
- **$73 billion more in Federal support required** - The entire increase in cost is assumed to be paid for by the Federal government.
- **Construction will start in the middle of the route** - The funds available will be used to construct tracks in the Central Valley and work will not extend to an urban area for decades.

The $98 billion cost figure is notable as it is the first time an honest accounting of the project costs for Phase 1 (San Francisco to Anaheim) has been done.

The dramatic change in the price tag is because the project costs now include many more miles of costly viaducts and tunnels than originally incorporated in the estimates.

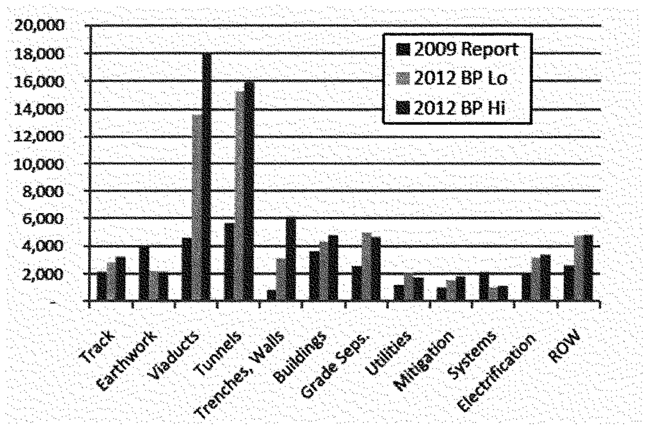


Figure 1 Source: Cost Changes from 2009 Report to 2012 Business Plan Capital Cost Estimates, Parsons Brinckerhoff October 2011

Most of these changes had either been made prior to the December 2009 estimates or should have been anticipated. For example, in prior cost estimates, the sections of the project with 4 sets of tracks on aerial structures used the cost of only two track structures. In the Central Valley, the budget simply ignored the expense of the planned viaducts altogether. CARRD gave public testimony and sent emails notifying the Authority of these omissions, but were ignored.

This is a major concern because neither the Authority, nor Parsons Brinckerhoff (PB), nor the firm hired to oversee PB (TY Lin) made these issues known or even acknowledged their existence. As a result, the State and the public feel betrayed and confidence in the project has eroded dramatically.

The costs for the project were already on the high side, compared to other projects around the world.[1] Even excluding provisions for inflation, the per mile cost is now $127 million (2010$) for a route where 60% of the distance is through the ultra-flat Central Valley region, which should facilitate low cost construction. By contrast, the latest TGV project in France costs $25 million per mile or one-fifth the cost of California. In addition to the high per mile cost, the project takes a circuitous route that is 100 miles longer than the driving distance from Los Angeles to San Francisco.

Even with healthy ridership numbers, it is difficult to justify the $98 billion cost. If the system attracts 30 million passengers per year, the $86 billion of public funding assumed equates to ***a subsidy of almost $100 per passenger for the first 30 years of operation.***

In order to rationalize the $98 billion dollar investment in high speed rail, the Business Plan provided an analysis claiming savings of $170 billion by avoiding highway and airport construction.

The study overstates savings and fails to provide detailed information critical to prioritizing projects to meet California's transportation needs.

The analysis looks at the cost of replicating the maximum capacity of the high speed rail project using highways and airports, not the realistic usage of the system. It does not include other, less expensive capacity enhancements that will likely occur. For example, the Bay Area airports have devised a plan that would accommodate all expected growth in demand by making better use of the infrastructure that already exists.[2] High Occupancy Travel (HOT) lanes in Los Angeles are a promising, revenue generating way to combat congestion, along with the expansion of local transit options. Overall, the decision-making for prioritizing transportation projects in California is fragmented and even if the high speed rail project moves forward, it is unrealistic to assume that an investment in high speed rail will result in the cancellation of planned highway and airport expansions.

Role of private investors

The project had always been envisioned as a partnership between the public and private sector. Lawmakers felt that private sector involvement was crucial for reasons beyond the money it would bring to the table. Anyone investing would do their own ridership projections, which would provide a truly independent assessment of the demand for high speed rail and validate project forecasts.

---

[1] UIC http://www.uic.org/IMG/pdf/20101124_uic_brochure_high_speed.pdf Multiply by 1.6 (KM to miles) and again by 1.3 (EUR to USD) to get the $24 to $60M per mile.

[2] Regional Airport Planning Analysis, 2011 Update. http://cahighspeedrail.ca.gov/assets/0/152/302/312/646d29d7-2946-458b-ae64-04c990f11975.pdf

Beginning in 2008, the private sector began to express reluctance to invest in the project without some kind of public revenue or ridership guarantee.[3] It was not until the 2009 Business Plan that the Authority formally acknowledged the need for such a guarantee - a guarantee which would likely violate the state bond measure's prohibition on operating subsidies.

In the 2012 Draft Plan, it is no longer assumed that private investment will occur prior to revenue service. Future investment is seen as contingent upon the success of an Initial Operating Segment which will either be San Jose to Bakersfield or Merced to San Fernando Valley. The Authority has used their highly flawed ridership model which has not been updated since 2007 to project that these corridors will be successful high speed rail routes.

High speed rail relies on attracting business travelers willing to pay steep fares for fast and reliable service. The airline market has not been able to support a single daily flight in either of these corridors, so the chances of a profitable service are low.

Without a private investor and their independent ridership model, the California State Legislature and the Federal government must continue to rely on the flawed model.

The decision on who will operate the trains will also not be made for years to come. Unlike the successful high speed rail systems in Europe, this means key decisions about routing and capacity requirements are being made consultants who will not operate the trains, nor have ever done so.

Role of the Federal government

The plan looks entirely to the Federal government to plug the enormous funding gap. While the Authority has not assumed any additional awards for the next couple of years, Congress is presumed to make large sums available for the project after that. Most of this would be through traditional grants and some is assumed to come from $19 billion in direct-pay Qualified Tax Credit Bonds (QTCBs). QTCBs are not free money and require substantial Federal appropriations that we have calculated to be worth about $13 billion. It should be noted that the California State Treasurer's office found several concerns about the feasibility of QTCBs to provide as much financing as assumed in the plan so is just safer to assume that the entire Federal contribution would be made with grant funding.[4]

According to the previous plan, the project would need about **$15 billion** in Federal support beyond the grants already received to complete the entire Phase 1 San Francisco to Anaheim project. The 2012 plan would require another **$20 billion** just to finish constructing a route from San Jose to Bakersfield. To complete the entire project would require **$73 billion** in additional monies[5]. This would require annual awards of more than $3 billion for the next 20 plus years, similar to the amount California receives from the Federal government in highway funds.

---

[3] "Report of Responses to the Request for Expressions of Interest for Private Participation in the Development of a High-Speed Train System in California," October 2008. Report was presented to the Board on June 11, 2008. http://cahighspeedrail.ca.gov/WorkArea/DownloadAsset.aspx?id=7184

[4] LAO Report on The Draft 2012 Business Plan and Funding Plan http://lao.ca.gov/handouts/transportation/2011/HSRA_Business_Funding_plan_11_29_11.pdf

[5] Please see Exhibit 1 at the end of this testimony.

Initial Construction Segment (ICS) vs. Initial Operating Segment (IOS)
The plan proposes using the $6 billion in available funds to construct up to 130 miles of tracks largely parallel to the existing BNSF freight tracks used by the San Joaquin Amtrak service in the Central Valley. This segment, known as **the Initial Construction Segment (ICS), would not be electrified or be ready for high speed rail.** There is no plan to actually run high speed rail trains on these tracks until an additional $25 billion is available to complete an Initial Operating Segment (IOS) to either San Jose or the San Fernando Valley.

One of the motivations for the selection of the Central Valley, beyond meeting federal requirements, was a desire to create construction jobs in the economically depressed region; the project purports to create 100,000 jobs.[6]

However, the detailed analysis in the Environmental Review documents reveals that at the peak of construction, there will be about 3,000 - 4,000 direct, indirect and induced jobs in the Central Valley as a result of the project.[7] The documents also show that there could be an offsetting number of job losses. The current plans have a high impact on businesses along the route. Construction will require the acquisition of 1100 parcels of land, including farmland and commercial properties. The farmland and dairies will be permanently impacted and the track record for successfully relocating the types of businesses that will impacted by the project is not good.[8] The city of Fresno has expressed significant concerns about their ability to simply process all the necessary permits.

One of the proposed benefits of the high speed rail project is to improve the air quality of California and particularly the Central Valley. However, by beginning in the Central Valley, the construction will cause a significant degradation to air quality that is unmitigated on the premise that one day, decades from now, a statewide system will lower emissions. There is no contingency plan for how to handle these air quality issues in the short term.

Under the terms of the funding contract with the Federal Railroad Administration (FRA), the tracks would be made available to Amtrak if additional funds to complete the project are not forthcoming. This would fulfill the statutory requirement for "independent utility" by potentially improving travel times between Fresno and Bakersfield by 45 minutes for the 350,000 passengers per year whose trips include this leg and attracting new riders.

The impact on the San Joaquin Amtrak service is still unknown. The new tracks use a different route than the existing one. The station in Fresno would move from its current location adjacent to the major government buildings and all cities between Fresno and Bakersfield will be bypassed. It is not clear if the three cities impacted, which account for 25% of the existing route's ridership, will still have service. If they do, new stations would need to be built in farmland.

Amtrak would also become responsible for maintenance of the tracks at a cost we have estimated at $10 million per year, a significant sum that would likely offset additional revenues from the improved service. In addition, the environmental impacts of running diesel Amtrak trains on the tracks designed for high speed rail have not been studied.

---

[6] Press release November 22, 2011 CHSRA "This initial construction segment, spanning up to 130-miles, will put 100,000 people to work over the next five years."
[7] Draft EIR/EIS Fresno to Bakersfield and Draft EIR/EIS Merced to Fresno
[8] FHWA Study from 2002 of California projects showed only 31 of 75 businesses successfully relocated. http://www.fhwa.dot.gov/realestate/nbrs2002_8.htm

It is debatable whether the Central Valley would come out ahead with this construction project. What is certain is there are projects that could achieve similar transportation enhancements at a fraction of the cost. For example, the St. Louis to Chicago project will result in greater time savings, at a cost of $1.1 billion. What is also certain is that there are many other transportation projects in California that could make better use of the $6 billion.

Recommendations

The problems of the California High Speed Rail project are many years in the making and it will not be easy to reverse course. The need, however, for improved transportation systems and judicious use of taxpayer funds dictates that we try. Our key recommendations:

Independent ridership model

There should be an independent ridership model that is developed in a transparent manner for the Federal government and California. Even if a private operator is brought on board, the importance of ridership to all aspects of the planning makes this a worthwhile investment.

Institutional reform

In other countries, the primary project planner is the existing rail operator in close cooperation with the local jurisdictions and the national government who is generally the primary funder. The California project suffers because it relies heavily on the private sector without properly aligning incentives and local communities have been viewed as problems, not partners.

The Authority and its program manager, Parsons Brinckerhoff (PB), are so intertwined that there is no accountability on the part of anyone. PB's role is so crucial on the project that it has a status akin to banks who are too big to fail. PB may be too involved to be fired. Checks and balances that should exist do not. For example, Consultant A oversees Consultant B on one part of the project and Consultant B oversees Consultant A on another part.

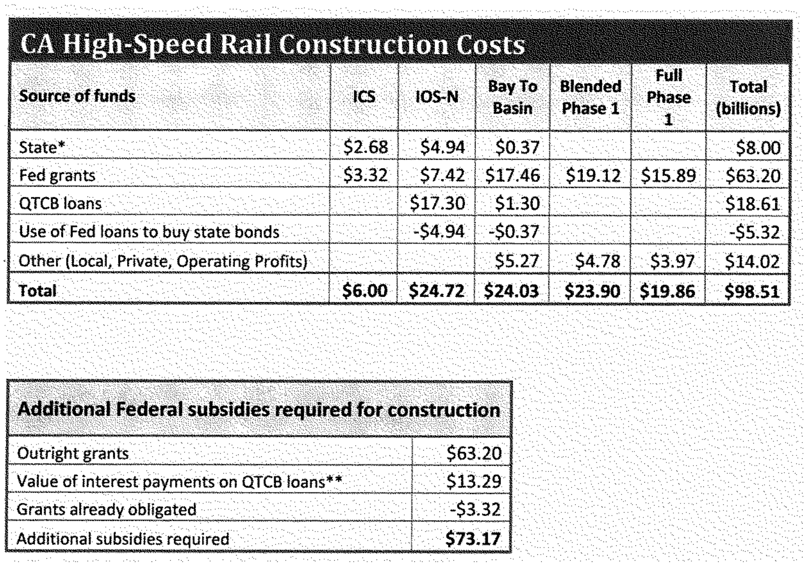
There have been some proposals in California to reform the California High Speed Rail Authority but none adopted for fear of losing project momentum. The FRA should insist on substantive institutional changes.

Flexibility

The California High Speed Rail Authority has told the California Legislature that the Federal Railroad Administration and the Department of Transportation are requiring them to begin construction in the Central Valley. However, at last week's Congressional hearing, Secretary Ray La Hood was asked whether there was any flexibility in where to put the money. He said, "We're in the Central Valley, we made a commitment there, that's where people want us to be – and until somebody tells us differently, until they have a different plan, that's where we're going to be."

If there was some flexibility in where the money was spent, it would allow stakeholders to devise an alternative use for the funds that would almost certainly result in much greater public benefit than the current plan.

EXHIBIT 1: CA-High Speed Rail Construction Costs



CA High-Speed Rail Construction Costs

Source of funds	ICS	IOS-N	Bay To Basin	Blended Phase 1	Full Phase 1	Total (billions)
State*	$2.68	$4.94	$0.37			$8.00
Fed grants	$3.32	$7.42	$17.46	$19.12	$15.89	$63.20
QTCB loans		$17.30	$1.30			$18.61
Use of Fed loans to buy state bonds		-$4.94	-$0.37			-$5.32
Other (Local, Private, Operating Profits)			$5.27	$4.78	$3.97	$14.02
Total	**$6.00**	**$24.72**	**$24.03**	**$23.90**	**$19.86**	**$98.51**

Additional Federal subsidies required for construction	
Outright grants	$63.20
Value of interest payments on QTCB loans**	$13.29
Grants already obligated	-$3.32
Additional subsidies required	**$73.17**

*** Does not total to $9 billion as $1 billion is assumed to be used for planning and other non-construction expenses.**

****The actual costs to the Federal government would depend on the term and interest rate and other assumptions.**

Kole Upton Written Testimony

Opening Comment

If the High Speed Rail project is to be started in the Central Valley, the finished product should be compatible with the existing infrastructure that sustains the economic vitality of this area. This means the High Speed Rail project must be compatible with the agricultural industry and its associated infrastructure.

Regrettably, to date, this is not the case. Rather than use existing corridors to minimize impacts on farmland as promised in both the implementing language and the supporting bond measure, most of the proposed routes go through prime agricultural land. This results in the destruction of both the farms and their supporting infrastructure.

The supporting infrastructure includes wells, canal pumps, SCADA (Supervisor Control and Data Acquisition) systems, weirs, transfer facilities, micro systems, pipelines, and numerous other capital improvements that allow our farmers to be among the most water efficient and highest per acre producers in the world.

High Speed Rail proponents claim that the 100 foot path through the farm land will be the only effect. Nothing could be further from the truth. In fact, CHSRA's own document indicates a ½ mile (2,640 feet) indirect biological impact when routes go through farmland (attachment 1). Plus, many of these proposed routes go through at an angle further destroying or rendering the land not farmable. So, it is obvious that the impact will be up to 25 times more devastating than indicated in the press releases.

Jobs are a big issue in this society. What is being missed regarding this project is the number of jobs that will be lost due to the project's impact on the agricultural industry. For every on the farm job lost, up to ten additional off the farm jobs will be lost as well. As the farm product moves through the food chain to the consumer, it is shipped several times, processed, marketed, advertised, and sold to the consumer. All these activities and the associated jobs are forfeited if there is no product coming off the farm.

Our family's farm is typical of a Central Valley farm. Our long term employees have health insurance and own their own homes. This project promises thousands of temporary construction jobs, and some permanent jobs. If this project is constructed without regard to the detrimental effects on the current economic infrastructure, thousands of long term good paying jobs will be lost.

If built, this project should be integrated seamlessly in to the Central Valley's current infrastructure as effectively as possible. This would result in the maximum number of jobs created and saved.

Another option would be to use the money for projects here in the Central Valley that would provide immediate benefit to the area, and be compatible with our existing infrastructure. The construction workers wanting jobs are not saying the only jobs acceptable to them are ones building High Speed Rail.

Perhaps, we should use the money now for needed infrastructure improvements and defer High Speed Rail until our fiscal house is in order?

History

My testimony will focus on my involvement with this project. My experience is similar to hundreds of other farmers up and down the San Joaquin Valley. This is the reason a group of us started the organization Preserve Our Heritage. Other grass roots organizations have also sprung up in other areas of the valley.

My family first received notice by mail that our land was being considered as a potential route in November of 2009. It was part of a route called A3 which traveled primarily through farmland for about 24 miles from Madera County into Merced County. This was the first contact many of us had with the California High Speed Rail Authority (CHSRA).

In retrospect, CHSRA's prior outreach to the Central Valley was almost wholly with cities and counties. Public and private agricultural interests such as farm bureaus and water districts were not effectively brought in to the process.

A group of us traveled to Sacramento for the next 2009 CHSRA Board meeting. After expressing our concern that the A3 route grossly violated the principles of using existing corridors to minimize impacts to farmland, the then Chairman (Mr. Curt Pringle) suggested we 'roll up our sleeves' and participate in the process. I thought that was good advice and many of us have participated ever since. This includes attending the open houses and other events supposedly designed to receive input from the public.

As an elected official on two water districts (Chowchilla Water District and LeGrand-Athlone Water District), I requested permission to be part of the Technical Committees for Merced and Madera Counties. These committees consisted of publicly elected officials but previously had only been open to city and county elected officials.

After several months of intense activity by farmers, their related organizations, and sympathetic county supervisors, A3 was removed from consideration in March of 2010. Many of us breathed easier, confident that the process had worked effectively.

In June of 2010, I attended a Technical Meeting in Merced, CA. Since the area in southern Merced County and northern Madera County is considered the 'Wye' section of the project, it is part of the Merced to Fresno study section, as well as the Merced to San Jose section. Therefore, both consulting groups were present for this meeting.

During this meeting, I asked the question whether any public agency with jurisdiction in the area supported the 'Wye' being north of the City of Chowchilla. Unanimously, none did.

In July of 2010, CHSRA announced a new potential route called the West Chowchilla Bypass Option (WCBO). Later, it was called the West Chowchilla Design Option, and was recently renamed again as part of the 'Hybrid' route. This route was north of the City of Chowchilla. This and other bizarre decisions in our area led to the formation of our group, Preserve Our Heritage.

Other members of Preserve Our Heritage had similar experiences with potential routes along Avenues 21 and 24 in Madera County, and the A1 route in Madera and Merced Counties. At one time, there were 27 possible routes through the 'Wye' section. In my view if a person in this area was not potentially affected by a proposed High Speed Rail route, he or she would have grounds for a discrimination lawsuit.

My question was why did the Authority pick a potential route (the WCBO) that was clearly opposed by every public agency with jurisdiction in the area? The answer was that it was to please the City of Chowchilla. However, the City of Chowchilla quickly denied asking for such a route, and is still actively opposing it.

Later, I was told the route was demanded by the Federal Railroad Administration (FRA). I requested documentation, but have received none. Thus, the Chowchilla Water District sent a FOIA request to the FRA on Dec. 2, 2010 (attachments 2 & 3). To date, despite the best efforts of Congressmen Denham and Cardoza, FRA has refused to respond.

During my effort to protest this route, CHSRA consultants spread the rumor that I should be ignored because the route did not go through my land. A simple review of county assessor maps quickly exposed that canard, and I received a written apology from the Regional Director.

The Heavy Maintenance Facility (HMF) Lottery

I would be remiss in not mentioning CHSRA's approach to selecting the location for the HMF. This facility is being dangled in front of many communities up and down the Central Valley. However, only one will be chosen. Nevertheless, you have some officials from these various areas apparently supporting this project convinced that their location will be chosen. They cannot all be right.

One of the proposed HMF's is next to my farm. The original proposal contained part of my family's farm and was to be submitted without my knowledge or consent. The proposal was offered by a public official with no jurisdiction in the area and without the knowledge or consent of the local county supervisor. Our farm was excised out of the proposal when I protested, but it would still be hugely affected by the required infrastructure to support the HMF.

In that one of the other landowners has also withdrawn his approval for the HMF, we are told it will eventually be eliminated even though it currently remains on the HMF list. This experience and others like it do not inspire confidence in the integrity of the consultants or staff of CHSRA in the treatment of Central Valley citizens.

Will of the People

Due to mounting opposition in the Bay Area several years ago, FRA and CHSRA shifted the initial construction to the Central Valley. One of the supposed factors for this decision was the 'overwhelming support' for the project in the Central Valley. Unfortunately, only a few people in the Valley had been contacted and most had no concept of the effect of the project on their lives.

As Valley citizens began to realize the devastating effects of some of the proposed routes, concern and outright opposition have become rampant. If you travel outside the narrow boundaries of the City of Fresno either north or south, you will find that the vast majority of Valley citizens now oppose this project.

We are told elections have consequences. I suggest you look at the off year elections in the Valley where High Speed Rail was an issue. Further, the upcoming 2012 Valley elections will involve High Speed Rail as one of the primary issues. Hear what the people say.

In addition, there is great concern about the adverse effects of HSR on local water districts and their ability to effectively service their constituents. Several have already passed resolutions opposing the project, the most recent being the Madera Ranch Oversight Committee (attachment 4).

The Path Forward

What is the strategy of Preserve Our Heritage (POH) in moving forward as an organization, and for us as individuals? Much like the CHSRA, we are pursuing several options (or routes if you prefer).

A. Continue to work with CHSRA and its consultants to try to design routes that are acceptable to the vast majority of citizens in southern Merced County and northern Madera County. It needs to be said that some folks representing this project have a willingness to consider input from groups such as POH. In particular, we have had productive meetings with CHSRA Board member, Mr. Tom Richards of Fresno, the only Valley representative on the CHSRA Board. Also, Regional Director Jeff Abercrombie and consultants Dick Wenzel, Gary Kennerly, and Dave Manson have engaged us in positive meetings.

That being said, our overall experience with this project does not provide us with much confidence that the eventual decisions will address our concerns. The decisions seem to be made by non-responsive bureaucrats in Washington D.C. with no regard for the consequences to Valley citizens or their families. We are not yet convinced that the HSR outreach program is much more than a sham to give the appearance of considering citizen input.

As an example, within the last year, an agricultural advisory group was formed by CHSRA. The only farmer member and chairman is a Mr. John Diener who apparently is also a paid consultant with CHSRA (attachment 5). Understandably, many farmers are not convinced our concerns are being responsibly addressed.

Thus, the options below:

B. Continue to engage, cooperate, and coordinate with other groups in the Bay Area, the Central Valley, and southern California who have grave concerns about this project.

C. Continue to participate in the review of the Draft EIR process for both the Merced to Fresno EIR and the Fresno to Bakersfield section. It should be noted that these EIRs have apparently generated a record number of comments in the history of California EIRs. One might surmise that the reason is not overwhelming support for the project.

D. Continue preparation for a lawsuit challenging the EIRs and/or the legality of the HSR project itself should CHSRA ignore our comments and try to force a flawed project down our throat. In that the Draft EIRs are thousands of pages, Preserve Our Heritage hired an EIR expert, and lawyers to help us with our comments. Individually, we then concentrated on specific areas since there was not enough time in the 60 day review period for one person to review the entire document.

In my area alone, the Draft EIR incorrectly identified counties, roads, and creeks. It claims roads exist where there are none. Lawyers indicate that this Draft EIR is a 'target rich' environment. If CHSRA and FRA are determined to inflict this abomination as drafted on the Central Valley, then a lawsuit is certain. It needs to be thoroughly and responsibly re-drafted, and re-circulated.

The Committee needs to be aware that there are several other groups that submitted extensive comments on the Draft EIRs. It might be useful to have Committee staff review the comments of the J.G. Boswell Co. (the largest farm operator in California), the Arm & Hammer Co., the Bay Area groups who have already successfully sued the Authority twice on this project, and especially the several private and public organizations in the Kings County area.

The Committee might also appreciate the fact that most of these grassroots organizations are well organized with hundreds of members. For instance, Preserve Our Heritage had a fund raiser on June 22, 2011 (attachment 6), in the small town of LeGrand, California, attended by several hundred people. Our continuing fund raising and organization efforts are to ensure we have the funds available to mount an effective legal challenge (if necessary) to protect our interests.

E. Preserve Our Heritage as a private organization will continue to encourage Central Valley public agencies to exercise their rights under NEPA (National Environmental Policy Act) to protect their constituents with special emphasis on utilizing the 'Coordination Process'.

Conclusions

The Willie Sutton Theory

Mr. Sutton said he robbed banks because, "... that is where the money is."

Does this situation require any deeper thinking than that of Mr. Sutton's? If we are going to spend billions of dollars on High Speed Rail, maybe we should build it where there are people to use it? For the United States as a country, that would be in the north-east corridor.

If it must be in California, then it would be Anaheim to San Diego.

If we must submit to the demands of the FRA and start in the Central Valley, then the only viable option is to use the I-5 corridor and connect San Francisco to L.A. Since there is a lack of water for that agricultural area and corridor already exists, the impacts would be minimal, the land cheaper, and very little required mitigation. Feeder routes to cities like Fresno would offer access to the I-5 HSR train. A system like this works in France.

Personal

The impact on the lives of the farmers adversely affected by these proposed routes should not be ignored or lightly dismissed. Nor, should the determination and motivation of those farmers, farm workers, and other Central Valley citizens be minimized. They intend to protect their farms, families, communities, associated business and jobs from an ill advised and poorly planned project.

Most of the farms devastated by this project are family farms representing a family's heritage, legacy, and future. My family's farm is the rule not the exception. Started by my father after three years of military service in Europe during World War II, our family farm has grown from his initial start of 100 acres to 1,400 acres with three of the families now living on the farm.

The potential route through this farm not only takes out homes and adversely affects about half the ranch, but also destroys an environmental habitat in existence for 45 years. This habitat is used, among other things, by the local raptor center to release injured raptors after recovery from injuries. A recent ecological evaluation of the habitat indicated it was the only environmental treasure of this type within many square miles.

Bottom line, the farmers and other affected citizens of the Central Valley have no intention of acquiescing quietly to this project if the proposed routes will devastate our families, homes, farms, businesses and vibrant economic infrastructure which we have developed over decades. Furthermore, we have an obligation to our descendents not to allow the sacrifice of our forefathers to go undefended.

#####

the Authority's objective has been to maximize the use of existing transportation corridors and rights-of-way for the high-speed train system. Consistent with this objective, extensive portions of the alignment alternatives were described and analyzed as if they were placed within or adjacent to existing rail or highway rights-of-way, rather then on new alignment. Evaluations for the Statewide High-Speed Train system Program EIR/EIS and for the Bay Area to Central Valley High-Speed Train Final Program EIR/EIS have consistently shown a potential for fewer significant environmental impacts along existing transportation facilities than on new alignments through both developed and undeveloped areas.

Figures from the Final Program EIR/EIS documents depict typical cross sections for high-speed train facilities at grade, on an elevated structure, and where twin tunnels might be necessary. These figures show maximum proposed rights-of-way of 100 feet, 50 feet, or 120 feet for these facilities, respectively. At the programmatic level, this EIR has analyzed the impacts of constructing and operating the high-speed train system along the proposed alignment alternatives conservatively, by evaluating direct and indirect impacts within a wide band that exceeds the maximum proposed high-speed train right-of-way, whether in an existing transportation right-of-way or adjacent to it.

For example, for biological impacts, the EIR defines the study area for direct biological impacts as 50 feet on either side of the alignment, and for indirect impacts as 1,000 feet in urban areas and 0.25 mile in rural areas on each side of the alignment. At the project level, when detailed field conditions, resource data, and site-specific facility design information become available, certain impacts disclosed in the Program EIR are expected to be far less in those circumstances when the actual final footprint of high-speed train track can be located within existing rights-of-way, rather than adjacent to them.

To view this document in PDF format, click here

› Top Contact Webmaster Conditions of Use Privacy Policy © 2008-2009 State of California

Attachment 1

Chowchilla Water District

Post Office Box 905 ♦ 327 S. Chowchilla Blvd. ♦ Chowchilla, CA 93610
Phone (559) 665-3747 ♦ Fax (559) 665-3740 ♦ Email dwelch@cwdwater.com

Board of Directors
Dan Maddalena ♦ Michael Mandala ♦ Vince Taylor ♦ Kole M. Upton ♦ Mark Wolfshorndl

December 3, 2010

Freedom of Information Act Coordinator
Office of Chief Counsel
Federal Railroad Administration
1200 New Jersey Avenue, Stop 10
Washington, D.C. 20590

Subject: FOIA Request

To whom it may concern:

As provided in the Freedom of Information Act (FOIA), the Chowchilla Water District (the "District") requests a copy of all documents, communications and correspondence (including electronic email) transmitted between the Federal Railroad Administration and the California High Speed Rail Authority addressing or relating to the route alternatives under consideration for the proposed California High Speed Rail within Madera County and Merced County, California.

The District is a water district organized under the California Water District Law, codified by California Water Code section 34000 *et seq.*, and serves a portion of northern Madera County and southern Merced County consisting of about 85,000 acres. As such, it is a non-profit governmental entity.

The District requests that the fees be waived for this FOIA request. The District will use the documents provided under this FOIA request to better inform its Board of Directors and the general public it serves of the correspondence between the Federal Railroad Administration and the California High Speed Rail Authority in regards to the selection of the various route alternatives evaluated by the California High Speed Rail Authority.

If the request for waiver of fees is denied, the District is prepared to reimburse fees up to a maximum of $2,000 dollars.

The contact person for this FOIA request is Douglas Welch. His contact information can be found in the letterhead above.

Sincerely,

Douglas Welch
General Manager

Attachment 2

U.S. Department
of Transportation
**Federal Railroad
Administration**

1200 New Jersey Ave, SE
Washington, DC 20590

12/9/2010

Mr. Douglas Welch
General Manager
Chowchilla Water District
P.O. Box 905 - 327 S. Chowchilla Blvd
Chowchilla, CA 93160

Re: FRA File No.: FOIA-11-063

Dear Mr. Welch:

This letter acknowledges receipt by the Federal Railroad Administration (FRA) of your Freedom of Information Act (FOIA) records request seeking: A copy of all documents transmitted between the FRA and the California High Speed Rail Authority relating to the route alternatives under consideration for the proposed California High Speed Rail with Madera, CA.

We have assigned your request the FOIA file number indicated above and are initiating a search of the agency's files for responsive records. Please be advised that the FRA is currently experiencing a high number of FOIA requests and is addressing backlogged requests with all due diligence on a first-in, first-out basis. Your request will be addressed in the order it was received. We regret any inconvenience caused by the delay.

If you are interested in railroad accident data or reports, including railroad supplied accident reports for specific accidents you can access these materials through the FRA's web site at: http://safetydata.fra.dot.gov/officeofsafety/. FRA has also placed its completed FRA Headquarters-Level Railroad Accident Investigation Reports for accidents beginning with January 2005 on our website at http://www.fra.dot.gov/Pages/1696.shtml. All of the accidents that have been or are the subject of a headquarters-assigned investigation are identified and reports for completed investigations are available. It typically takes six to nine months from the date of the accident for a report to be completed. FRA's website is updated regularly as new accidents are assigned for investigation and additional investigation reports are completed.

If you are able to satisfy your request through the website, please let us know so we can focus on other pending requests. If you have any questions regarding the FOIA process, please contact me at (202) 493-6065 or betty.watson@dot.gov.

Sincerely,

Betty J. Watson
Administrative Staff Assistant

Attachment 3

MADERA RANCH OVERSIGHT COMMITTEE

12152 Road 28 ¼, Madera, CA 93637-9199
(559) 673-3514 / FAX (559) 673-1072

December 12, 2011

California High-Speed Rail Authority
770 L Street, Suite 800
Sacramento, CA 95814

The Madera Ranch Oversight Committee at its meeting of Thursday, December 8, 2011, voted in opposition to the California High Speed Rail Project and to recommend that other agencies do the same.

Sincerely,

Denis Prosperi

Denis Prosperi, Chairman
Madera Ranch Oversight Committee

Attachment 4

http://www.cahighspeedrail.ca.gov/assets/0/152/322/7c022726-3c2d-48da-a45f-b9aba81c5d32.pdf

EXHIBIT J - FIRMS SUBJECT TO OFFEROR EX PARTE COMMUNICATIONS PROHIBITION DURING SOLICITATION

Firms on PMT

- Parsons Brinckerhoff
- The Solis Group
- Pat Padilla and Associates
- Cordoba Corporation
- SC Solutions, Inc.
- Turner Engineering Corporation
- Cambridge Systematics
- All Transit Consultants LLC
- Simpson Gumpertz & Heger
- Paragon Partners
- Balfour Beatty
- Technical Advisory
- Spectrum Consult Leslie Rifkin
- The Next Generation
- Julia Sankey
- Gill Mallery

- **David Dubbink**

2

- John Diener

Firms on PMOC

- **T.Y. Lin**
- **Auriga Corporation**

Firms on Merced - Fresno RC

- **AECOM**
- **Bender Rosenthal Inc.**
- **CH2MHill**
- **CirclePoint**
- **Critigen**
- **INOCSA**
- **EDAW**
- **HMMH**
- **HNTB**
- **Parus**
- **Parikh**
- **Lynch**
- **Psomas**
- **O'Dell Engineering**
- **Cross Spectrum Acoustics**

Attachment 5

Firms on Fresno - Bakersfield RC

Help Us to Help You Protect Your Property Rights

Support

Preserve Our Heritage

Citizens for Responsible Planning -- We currently are addressing High Speed Rail Issues

Join us at

The Vista

7326 E. Highway 140 – Merced

Wednesday, June 22, 2011

Social Hour: 6:00 p.m. Prime Rib Dinner: 7:00 p.m.
$75.00/person – $550.00/Table of 8
No Host Bar

Featured Speaker: Dan Byfield, CEO
American Stewards of Liberty

*Dan will describe how **Stewards** educate citizens about issues affecting property rights and individual liberties; train local leaders on laws and strategies to protect productive use of the land; and teach them how to fight locally where people can still affect local policymakers.*

For more Information and tickets call any of our executive committee:

Craig Farmer – 209-761-1060
Steve Massaro – 559-232-3285
Millie Meders – 559-665-4187
Kole Upton – 209-769-6062
Jeff Marchini – 209-769-9116
Brad Samuelson – 209-658-8487
Laverne Caldeira – 209-761-6475
Maria Giampaoli – 209-389-4365

Make checks payable to *"Preserve Our Heritage"*
A non-profit mutual Benefit Corporation
P O Box 501
Chowchilla, CA 93610

Come gather with neighbors and friends to hear the latest about impacts such as High Speed Rail that threaten our valley agricultural communities

Attachment 6

INSTITUTE OF TRANSPORTATION STUDIES
UNIVERSITY OF CALIFORNIA, BERKELEY

Review of “Bay Area/California High-Speed Rail Ridership and Revenue Forecasting Study”

David Brownstone, Professor of Economics, UC Irvine
Mark Hansen, Professor of Civil and Environmental Engineering, UC Berkeley
Samer Madanat, Professor of Civil and Environmental Engineering, UC Berkeley

Research Report
UCB-ITS-RR-2010-1

June 2010

Review of "Bay Area/California High-Speed Rail Ridership and Revenue Forecasting Study"

Final Report

Prepared at the request of the California Senate Transportation and Housing Committee

Submitted to the California High Speed Rail Authority

Prepared by:

David Brownstone[1], Mark Hansen[2] and Samer Madanat[3]
Institute of Transportation Studies
University of California

June 30, 2010

---

[1] Professor of Economics, University of California, Irvine

[2] Professor of Civil and Environmental Engineering, University of California, Berkeley

[3] Professor of Civil and Environmental Engineering, University of California, Berkeley

Final Report

Review of "Bay Area/California High-Speed Rail Ridership and Revenue Forecasting Study"

David Brownstone, Mark Hansen and Samer Madanat

June 30, 2010

Executive Summary

We have reviewed the key components of the California High Speed Rail Ridership Studies. The primary contractor for these studies, Cambridge Systematics (CS), has followed generally accepted professional standards in carrying out the demand modeling and analysis. Nevertheless we have found some significant problems that render the key demand forecasting models unreliable for policy analysis. This Executive Summary describes the most serious problems. The body of this report elaborates on these problems and describes additional concerns we have.

In broad terms, the approach taken by CS includes a *model development* phase and a *model validation* phase. In the model development phase, both historical data and survey data were employed to develop a mathematical model of interregional travel. The individuals surveyed were interregional trip makers. However, the mode choices of the individuals surveyed were not representative of California interregional travelers. For example, nearly 90% of long distance (over 100-mile) business passenger trips are made by car, while 78% of the long distance business travelers sampled for the study were traveling by air.

The travelers in the sample were asked a series of questions concerning the mode choices they would make for the interregional trip that they were making at the time they were surveyed, under various hypothetical values of travel time, cost, service frequency, and service reliability for each modal alternative (auto, air, conventional rail, and high speed rail). In analyzing the data, the fact that the mode shares actually used by the travelers were not representative of traveler population was not taken into account. Since it is likely that travelers on different modes attach different degrees of importance to different service attributes (e.g. air travelers care more about travel time than auto travelers), it is likely that the resulting model gives a distorted view of the tastes of the average California traveler.

CS attempted to adjust for this problem in the validation phase, by making sure that the model accurately replicated the observed market shares for the existing travel modes in the year 2000. Model predictions of trips by mode were compared with observed values. Parameters obtained in the model development phase were adjusted in order to obtain good agreement between predicted and observed values.

Unfortunately, the methodology employed by CS for adjusting the model parameters has been shown to be incorrect for the type of model they employed. The parameters are therefore invalid and the forecasts based on them, in particular of high speed rail mode shares, are unreliable. (It should be noted that at the time CS performed the study the incorrectness of their adjustment method was not known.)

We found other problems in model development and validation. CS changed key parameter values after the model development phase because the resulting estimates did not accord with the modelers' a priori expectations. While this is frequently done in this type of work, it is important that the a-priori expectations be based on experience with like contexts. Unfortunately, some of the a-priori expectations used by CS are valid for intra-regional, but not for inter-regional ridership models. Specifically, the modelers increased the parameter for headway (the time between successive aircraft or train departures) and set it to a value typically found in intra-regional travel demand models. This adjustment made the predicted shares of the travel modes very sensitive to changes in frequency.

Another problem was that CS employed a model structure that does not allow for travelers to choose between high speed rail stations, thereby exaggerating the importance of having frequent service at the single station that is judged to be "best" for a given trip. Together with the inflated value of the headway parameter described above, this unrealistically favors alignments that avoid dividing services onto branch routes, such as Pacheco. Correcting this deficiency would almost certainly reduce, although probably not eliminate, the ridership difference between the Pacheco and Altamont alignments found in the CS study.

In the model validation phase, several other parameters of the mathematical model were adjusted. As a result of this process, many of the model parameters were assigned values that were considerably different from those obtained in the model development phase. In some instances changes to the model parameters were informed by professional judgments of the consulting team as well as the goal of replicating observed behavior.

The resulting "validated" model, which is used to generate subsequent high speed rail ridership forecasts, provides reasonably accurate "backcasts" for the year 2000, reflects certain patterns of behavior observed in the traveler surveys, and accords with professional judgments of the consultant. However, the combination of problems in the development phase and subsequent changes made to model parameters in the validation phase implies that the forecasts of high speed rail demand—and hence of the profitability of the proposed high speed rail system—have very large error bounds. These bounds, which were not quantified by CS, may be large enough to include the possibility that the California HSR may achieve healthy profits and the possibility that it may incur significant revenue shortfalls. We believe that further work to both assess and reduce these bounds should be a high priority.

Final Report

Review of "Bay Area/California High-Speed Rail Ridership and Revenue Forecasting Study"

David Brownstone, Mark Hansen and Samer Madanat

June 30, 2010

Introduction

This report represents the deliverable for the project titled "Peer Review of California High Speed Rail Ridership Forecasting Studies". This project was initiated at the request of the State Senate Committee on Transportation and Housing, and was funded by the California High Speed Rail Authority (CA HSRA). The scope of the project was to review the Bay Area/California High-Speed Rail Ridership and Revenue Forecasting Study conducted by Cambridge Systematics for the Metropolitan Transportation Commission (MTC). The project team was to evaluate the technical quality of the demand model system development including, but not limited to, data sets (sample sizes and strategies, data sources and their combination), model structure, model specification, parameter estimation results and model validation.

The project involved the following tasks:

1. Review of relevant reports and documents
2. Development of a list of questions based on the review; these questions were addressed to Cambridge Systematics
3. Review of responses from Cambridge Systematics, submission of additional questions and review of the responses to these additional questions
4. Preparation of a draft final report
5. Preparation of a final report, which includes the CA HSRA's comments on the draft final report.

This final report includes three sections, including the introduction. The next section describes our technical evaluation of the HSR ridership model. The third section summarizes our assessment of the reliability and accuracy of the model.

Appendix A includes our questions to Cambridge Systematics (the output of task 2) and the consultants' responses to our questions. Appendix B includes additional questions that were submitted to CS after our review of these responses (the output of task 3), and Cambridge Systematics' responses to these additional questions. Appendix C includes the CA HSRA's comments on our draft report, and Appendix D includes our responses to the comments included in Appendix C.

Technical Evaluation

We very much appreciate Cambridge Systematics' prompt and thorough responses to our questions (see Appendixes A and B). These responses have clarified issues that were not clearly explained in the reports. We are, for the most part, satisfied with their responses and agree that their work on this project meets generally accepted standards for travel demand modeling. We are, however, concerned about the impact of some of Cambridge Systematics' modeling decisions on the reliability of the forecasts based upon these models.

Our review of the ridership models and the responses provided by Cambridge Systematics has led us to the identification of a number of problems that will affect the accuracy and reliability of these models. These problems are listed below.

1. Arbitrary division of trips into long and short trips

Each model is segmented on short and long trips and these are estimated separately. The sharp delineations between different trip categories seem arbitrary and unnecessary. It should have been possible to formulate models that include dependencies on trip length (e.g., with interaction terms).

This segmentation causes problems on the long/short trip boundary (100 miles) as can easily be seen in Figure 3.4 in the Model System Development Final report (this figure relates to the destination choice models). The "net effect" of distance for short business trips declines from 0 to -4 at 100 miles, and then jumps back up to -1.7 before declining again and finally rising starting at 250 miles. Similar behavior occurs for the other trip types. This discontinuity will almost certainly cause strange forecasting behavior for trips close to 100 miles.

Cambridge Systematics' response to this comment is that the distance coefficient cannot be studied in isolation of other explanatory variables. We agree that travel time, and other variables, will vary with distance, and travel time enters in the model through the logsums from the mode choice models (and thus one cannot hold travel time constant while varying distance). But accounting for the effect of travel time and other variables will not eliminate the discontinuity in the effect of distance, and the problem will thus remain.

2. Assigning all business trips to the peak period

On Page 3-2 of the "model system development" report, the market segments are defined. According to this definition, all business or commuting trips were assigned to peak conditions. This is potentially a serious problem.

Cambridge Systematics' response to this comment is that they have followed common practice in regional travel demand modeling. While we don't doubt that this is the case, this fact is irrelevant to the subject, which is an interregional travel demand model. For interregional travel, quite a few business trips are made in the off-peak periods. For example, the California Travel survey shows over 25% of business trips in the off-peak periods.

The effect of this assignment is that a measurement error is added to the level of service attributes for off-peak business travelers. Even if this measurement error is totally random it will lead to biased and inconsistent parameter estimates. This measurement error is in fact not random – off-peak business travelers face better levels of service for auto and worse levels of service for other modes.

3. Incorrect treatment of the panel data set in the main mode choice model

A concern with the Stated Preference (SP) data used for estimation is that each respondent provided responses to several hypothetical choice situations. Thus, there is likely unobserved serial correlation between the choices made by each respondent. It appears that Cambridge Systematics treated each SP response as independent and thus ignored this likely serial correlation. Under strong assumptions about the sources of this serial correlation (independent of everything else in the model) the parameter estimates are still consistent (though, for reasons described under point 6 below, the parameter estimates of this model are in fact not consistent). However the standard errors of these parameters are downward biased. This downward bias causes the reported t-statistics to be inflated and this in turn leads to overstated statistical significance of the model parameters.

More realistic assumptions about how respondents treat multiple SP choices lead to more complex choice models. Recent work has focused on preference heterogeneity as a likely source of unobserved correlations across repeated choices. Hensher[4] and Brownstone et al[5] show that ignoring this preference heterogeneity can bias value of time measures by as much as 100 per cent and associated t-statistics by as much as 100 per cent.

4. Constraining the headway coefficient in the main mode choice model

The fourth bullet on page 3-36 in the Model System Development Final report explains that the headway coefficient estimate was about 20% as large as that for in-vehicle-travel-time. The authors of the report consider this result inadequate, expecting the two coefficients to be about equal (under the assumption of waiting time being equal to half the headway, and waiting time being about twice as onerous as in-vehicle travel time). Thus, in the final models, the headway coefficient was constrained by the modelers to be equal to the in-vehicle travel time.

The modelers' expectation would be reasonable if this was an urban travel demand model, but it is incorrect in the present context. This is because, in inter-city travel where headways are longer, passengers do not arrive randomly at the stations or airports, but rather according to the vehicles' schedule, which implies that the waiting time cannot be assumed to be equal to half the headway. There is therefore no reason to expect the coefficients on travel time and waiting time to be equal. Indeed, a recent study by Adler, for example, concluded that air travelers place 4-5 times as much weight on travel time as on the time difference between their ideal departure time and when service is available.[6]

---

[4] Hensher, D.A. (2001). The sensitivity of the valuation of travel time savings to the specification of the unobserved effects. Transportation Research E, 37, pp. 139 – 142.

[5] Brownstone, D., D.S. Bunch, and K. Train (2000). Joint mixed logit models of stated and revealed preferences for alternative-fueled vehicles. Transportation Research B, 34, pp. 315-338.

It has been argued that if service headways are sufficiently low, high speed rail travelers may indeed use the system in a manner similar to some urban transit riders, arriving at stations randomly and waiting for the next trains. For such travelers, constraining the waiting time coefficient to equal that for travel time may be appropriate. It is clearly inappropriate for air travelers, however.

5. Absence of an airport/station choice model

The modeling approach does not explicitly consider the choice of airport or station. Given the trip origin and destination, the model determines the airport or stations that would be used for access and egress "taking into account the level of service of the access and egress modes and the frequency of service at each station and airport …." (See Appendix A). Such "all-or-nothing" assignment is behaviorally unrealistic since, depending on their desired travel schedule, access/egress modes and other factors, travelers may choose different stations.

The failure to consider station choice is important when comparing ridership for the Altamont and Pacheco corridors. In the Altamont alternative, trips between South Bay locations and Southern California must be exclusively assigned to either a station on the San Jose or the San Francisco lines, and the frequency of service will be accordingly reduced. In reality, travelers in these markets could choose either line, depending on which is most convenient for their particular travel schedule. Failure to consider this possibility means that the inconvenience of the split schedule assumed for the Altamont alternative is exaggerated. The problem is compounded by the inflated value of the headway coefficient, as pointed out earlier. Correcting this deficiency would reduce, although probably not eliminate, the projected ridership difference between the two alignments.

6. Incorrect calibration of the alternative-specific constants in the mode choice models

Some models in the model system were estimated using SP data or merged SP data with Revealed Preference (RP) data from the Caltrans Travel Survey and various Metropolitan Planning Organizations (MPO) surveys. The SP data sets and any merged data sets that used the SP data are choice based with respect to at least some of the models, so unweighted maximum likelihood estimation will lead to inconsistent parameter estimates and inconsistent inference. The only exception to this general result is a Multinomial Logit Model with a full set of alternative specific constants, and here the parameter inconsistency is limited to the coefficients of these alternative specific constants. This inconsistency can be solved by calibrating these alternative specific constants to external data on mode shares, and this is what the modelers did in the model validation.

---

[6] Thomas Adler et al, Modeling Service Trade-Offs in Air Itinerary Choices, Transportation Research Record 1915 (2005), pp. 20-26.

However, the Main Mode Choice model and the Access/Egress Mode Choice model are not Multinomial Logit, but rather Nested Logit models, for which the calibration of the alternative specific constants to external data does not solve the inconsistency problem. Cambridge Systematics appears to have relied on Koppelman and Garrow[7] to justify their estimation and calibration procedure. Unfortunately, more recent work by Bierlaire, Bolduc and McFadden[8] shows both theoretically and with real data examples that the Koppelman and Garrow procedure is wrong. One of their examples was based on a study of a proposed high-speed rail line in Switzerland, and for these data they found that the key coefficient on the high-speed train travel time was downward biased by a factor of two.

Therefore, the calibration process followed by the modelers does not eliminate the parameter biases introduced by using unweighted maximum likelihood estimation with their choice-based SP samples. More specifically, all the parameters (including the key level of service, cost, and time parameters) of the Main Mode Choice models and the Access/Egress Mode Choice models are biased and inconsistent.

Note that the SP samples are not strictly choice-based, since they are stratified on the mode chosen for an actual trip. However, since any unobservable effects that caused the respondents to choose a particular mode for an actual trip are likely to influence their choices of hypothetical trip modes, the SP samples are clearly endogenous. As Cosslett and Wooldridge[9] show, the same problems that occur with choice-based samples occur with more general endogenous samples. Even in the highly unlikely event that the respondent's SP choices are independent of their actual trip choices, simply changing the alternative specific constants to deal with non-representative samples is not an appropriate way to generate consistent forecasts. It is simple to test for this strong independence assumption by simply including variables indicating the respondents' actual mode choices in the models explaining their SP choices. As reported on page 3 – 33 of the final model development report, when this was tried these actual choice variables were significant and led to large changes in the other model coefficients. This shows that respondent's SP choices are not independent of their actual choices, and thus the SP sample is clearly endogenous.

---

[7] F.S. Koppelman and L.A. Garrow (2005). Efficiently Estimating Nested Logit Models with Choice-based Samples. Transportation Research Record, 1921, pp. 63-69.

[8] Bierlaire, M., D. Bolduc, and D. McFadden (2008). The Estimation of Generalized Extreme Value Models from Choice-based Samples. Transportation Research B, 42, pp. 381-394.

[9] Cosslett, S.R. (1993). ''Estimation from Endogenously Stratified Samples,'' in Handbook of Statistics, Volume 11, ed. by G. S. Maddala, C. R. Rao, and H. D. Vinod. Amsterdam: North-Holland, pp.1-43. Wooldridge, J.M. (1999). "Asymptotic Properties of Weighted M-Estimators for Variable Probability Samples. Econometrica, 67(6), pp. 1385-1406.

7. Excessive constraining of coefficients in the final models

The final results of the model validation and calibration process were made available by Cambridge Systematics, in a memo sent by George Mazur to Nick Brand, dated January 29, 2010, with the subject line: "Final Coefficients and Constraints in HSR Ridership and Revenue Model".

In addition to constraining the alternative-specific constants, location constants and airport-specific constants (in an attempt to eliminate the bias introduced by using choice-based samples), the modelers constrained some accessibility/logsum variables in all models and two critical Level-Of-Service (LOS) variables in the main mode choice model.

Constraining model parameters (other than for correcting for choice-based sampling) requires strong justification. In the absence of such justifications, constraints represent the modelers' professional judgment. It is sometimes necessary to use judgment to override estimation results when these results are clearly unrealistic. The problem with simply constraining parameters as a way of imposing professional judgment is that there is no way for external reviewers to know whether the final model results are primarily due to judgment or based on the data used to estimate the models. The only thing that is certain is that the standard errors of the estimated coefficients are biased downwards when other coefficient values are constrained.

Cambridge Systematics did not perform an analysis of the forecast error bounds of the model system. These error bounds should reflect both the effect of uncertainty in predicting the explanatory variables and the standard errors in the parameter estimates. As we have indicated in this report, these standard errors are understated (cf. points 3 and 7). This leads us to conclude that the true error bounds of the forecasts are likely very wide.

Conclusions

It is not possible to predict exactly the net effect of the modeling problems that we have identified. However, we can say that the sheer number of constraints placed on the model parameters makes this model system unreliable for predicting the shares of the competing modes (air, train, automobile and HSR) in the California HSR corridor. While there are advanced econometric techniques that could alleviate some of the biases we have found, it is likely that application of these techniques would lead to larger standard errors than are reported. As we have noted earlier these reported standard errors are already biased downward.

Our main conclusion is that the true confidence bands around the estimates from these models must be very wide. They are probably wide enough to include demand scenarios where HSR will lose substantial amounts of money as well as those where it will make a healthy profit.

We believe that the priority, if additional work is performed, should be to accurately quantify the error bounds associated with the model system forecasts, and to attempt to reduce these bounds.

Appendix A

Cambridge Systematics Responses to ITS May 17 Questions

June 8, 2010

CAMBRIDGE
SYSTEMATICS
Transportation leadership you can trust.

Memorandum

TO: Samer Madanat

FROM: Lance Neumann, Chief Executive Officer

DATE: June 8, 2010

RE: Responses to UC Berkeley's May 17, 2010 Questions

We welcome the opportunity to respond to your questions regarding a very complex model and model development project. We recognize the importance of your review and our response, given the reliance on the model by the California High-Speed Rail Authority. This also is an opportunity for Cambridge Systematics (CS) to speak to some of the misunderstandings and misinterpretations of our work by others over the past six months. We believe that our responses demonstrate that we engaged in a carefully thought out model development and application process that resulted in a professionally developed, state-of-the-practice model.

We understand that the focus of your review so far has been on the *Interregional Model System Development Final Report.* It also is our understanding that the scope of your review includes the underlying contract for the Metropolitan Transportation Commission (MTC) study, work plans, and related reports, including peer review reports. Some of the questions and concerns raised in your memorandum are addressed in this other documentation that CS and the High-Speed Rail Authority (HSRA) provided to your team. Our responses include appropriate references to direct you to those other project reports, which are important to a complete documentation of the modeling work.

Questions in your memorandum are grounded in travel demand forecasting theory. We believe that you also appreciate, as we do, that strict adherence to theory typically is neither feasible nor desirable in practice. This tension between theory and practice poses challenging tradeoffs as one develops a credible model for real world application, and we anticipate that you will communicate this in your report.

For the development of this model, a peer review panel was formed and engaged to help guide these tradeoffs prior to and during data collection and model development. While the peer review panel's comments were advisory in nature, their active engagement and advice to the MTC, the HSRA, and the consulting team helped assure that the resulting ridership and revenue model met the project objectives. Those objectives included:

- A travel modeling system for examining high-speed rail alternatives in California, in particular, from the San Joaquin Valley to the San Francisco Bay Area;
- Appropriate for preparing ridership and revenue forecasts and other measures such as user benefits, travel time and travel cost savings for new riders, and impacts on other modes;
- Intended primarily for use in further detailed environmental analysis work to be conducted by the HSRA; and,
- Employing a network-based modeling system using commercially available modeling software in use at California's metropolitan planning organizations and Caltrans.

In our responses, we have pointed out how we bridged the gap between the conflicting demands of modeling theory and practical model development and application to achieve these project objectives.

It is the firm belief of the model development and application teams and the HSRA that this ridership and revenue model achieves the project objectives, and that the model development process followed accepted model development practices for statewide travel modeling engagements. This model was carefully developed by experienced leaders in travel modeling, and reflects experience that CS has gained in nearly 40 years of worldwide travel demand model development and application.

Our response to your questions was directed by George Mazur, the CS project manager for our ongoing work with the HSRA, in collaboration with Kimon Proussaloglou, David Kurth, Mark Bradley, and Maren Outwater. These individuals have been involved in the modeling work.

Thank you for the opportunity to respond to your questions. We anticipate that a careful review of the attached responses and related project documentation will allay your concerns. CS staff is available to respond to any additional questions you may have, and I encourage you to contact us to support your effort to provide a fully informed, objective, unbiased review of the ridership and revenue forecasting model developed for this project.

Attachment to June 8, 2010 Memorandum

The original questions posed by the UC Berkeley team are listed in *italics* prior to providing a response. In many cases, we provide additional background information to explain the rationale for the adopted approach to survey and sample design, data collection, and model estimation and validation. Where appropriate, we also provide references to the literature and to documents that describe the data collection and modeling aspects of this effort.

The approach to **data collection** was shaped by focusing more on those interregional travel markets which the proposed high-speed rail service would serve. The corresponding data plan was developed through discussions with the Metropolitan Transportation Commission (MTC), the High-Speed Rail Authority (HSRA), and the peer review panel.

The approach to **model estimation** was to use best practice approaches to develop a robust disaggregate model system for the entire State that distinguishes trips by purpose, distance, current mode used, and geographic markets of interest.

The objective of **model validation** was to properly determine the size of the total travel market and the magnitude of travel flows across modes and origin-destination markets. To support model validation for the base year conditions, traffic count data on observed highway volumes, flows of air travel by O-D pair, and intercity rail ridership were analyzed.

Part 1. Data

The models developed by Cambridge Systematics for forecasting HSR demand depend on a wide variety of data sources. We will concentrate on the key data sources used for model estimation. As best as we can tell, the target populations of these data are residents of California. This is problematic because California is among the most popular tourist destinations in the world, and visitors are disproportionately more likely to use HSR than residents (if for no other reason than they have no private cars available). Some of the calibration (notably the FAA ticket sample) includes visitors, so the calibration procedures probably scaled up air demand to include them. Was there a similar "scaling up" for users of other modes?

The interregional component of the high-speed rail ridership and revenue model includes in-state travel by both California residents and nonresidents (i.e., visitors). All of the calibration and validation datasets (including air, auto, and conventional rail) included in-state resident and nonresident travel.

This comment correctly points out that the target population for the various surveys was California residents, and that the resulting model "scales up" resident travel to account for both resident and nonresident travel. This scaling process is consistent with peer review guidance on the inclusion of visitor travel.[1]

The adopted approach and the resulting validated model properly size up the total interregional travel market. The resulting model also accounts for the magnitude of travel flows across all modes and in different geographic origin-destination markets.

Scaling is a reasonable approach given the low proportion of interregional nonresident travel that occurs in California. Although there is no direct information on interregional nonresident travel within California, data collected in Florida illuminate this issue. It is estimated that nonresidents account for 8 percent of vehicle travel within Florida. This share has dropped consistently since the early 1990s.[2]

Since Florida draws more domestic[3,4] and international visitors than California[5], yet has half the resident population of California[6], it is reasonable to infer that nonresidents account for a much smaller share of total vehicle travel in California than reported in Florida.

---

[1] Cambridge Systematics, Inc. (July 2006), *Bay Area/California High-Speed Rail Ridership and Revenue Forecasting Study: Findings from Second Peer Review Panel Meeting,* Draft Report, p. 2-2.

[2] Florida Department of Transportation, Office of Policy Planning (November 2008), *Trends and Conditions Report – 2008,* Table 3.

[3] Ibid, p. 3, Table 1 and Figure 4.

[4] D.K. Shifflet and Associates (June 2009), *California 2008 Data Tables Public Version,* p. 8.

[5] U.S. Department of Commerce, Office of Travel and Tourism Industries (May 2010), *Overseas Visitation Estimates for U.S. States, Cities and Census Regions: 2009,* p. 4.

[6] U.S. Census Bureau; *State and County Quick Facts;* http://quickfacts.census.gov/qfd/index.html.

The statement *"visitors are disproportionately more likely to use HSR than residents (if for no other reason than they have no private cars available)"* is debatable. We are not aware of any research or published material that validates the hypothesis that visitors will use HSR at a higher rate than residents. Further, published reports show that 43 percent of domestic visitors arrive in California in their own private vehicle[7], and 68 percent of overseas visitors to California rent a car or have other access to a private auto at some point during their visit[8].

However, even if the hypothesis stated in the comment is true, then the current ridership and revenue model provides a conservative forecast of high-speed rail's ridership potential from the nonresident market.

In summary, we disagree with the characterization of the sampling frame and the scaling process as *"problematic"*. Travel by nonresidents is a small portion of total in-state travel, and nonresidents have access to private autos and rental cars. The scaling process used in this model is a reasonable and appropriate approach to scale up to the total size of the travel market, and to reflect the distribution of flows in the State across modes and geographic origin-destination markets.

The NuStats household survey appears to consider only trips of 24-hour duration or less. Is that true?

No, this is not true.

The California statewide household travel survey collected data over a 24-hour period and included trips that began on the specified day for the diary (3:00 a.m. to 3:00 a.m.), regardless of whether they lasted 24 hours or more.

The trips that lasted more than 24 hours were reported as a trip that began on that day, but did not return to the trip origin during the 24-hour period. A "trip," as referenced in the reports and used in the travel model, refers to an one-way trip; not a round trip or a tour.

The SP surveys designed for the Cambridge Systematics project also may have other problems. We do not know why there was no sampling at any Los Angeles area airport, but this exclusion could lead to biases.

We take exception to the blanket statement that the SP surveys *"may have other problems"*.

With respect to the specific concern about sampling at LA area airports – we were precluded from sampling at these airports and took steps to mitigate the potential bias this preclusion might have caused.

Extensive discussion of the sampling plan occurred between the consultant team, MTC, HSRA, and the peer review panel. The original plan was to conduct air intercept surveys at one or more airports in the Los Angeles basin. However, none of the LA airports contacted would agree to participate in the survey.

---

[7] D.K. Shifflet and Associates (June 2009). *California 2008 Data Tables Public Version.* Table 18.

[8] CIC Research, Inc. (July 2009). Overseas and Mexican Visitors to California 2008. p. IX.

To mitigate the impact of the lack of access to LA area airports, the survey sampling approach was modified to ensure that a good selection of trips to/from LA airports was obtained. This objective was accomplished by:

1. Adding Fresno as a survey site;
2. Sampling flights at other airports to reflect the share of flights observed to each of the LA airports; and
3. Expanding the time of day during which surveys would be conducted.

The air intercept survey was conducted during morning, midday, and evening hours to ensure a mixture of outbound and return trips. For example, interviewing travelers at SFO allowed us to capture both SF area residents who were making their outbound trip to LA Basin airports, and LA Basin residents who were making their return trip back to LA.

Question 7 in the air intercept survey asked for a traveler's home zip code[9]. Of the 1,016 air intercept surveys that had a valid California home zip code, the distribution of these home zip codes was as follows:

• MTC region	26%
• SACOG region	17%
• SANDAG region	14%
• SCAG region	35%
• San Joaquin Valley	4%
• Elsewhere in California	4%

As shown by these data, the survey sample included a substantial proportion of households in the SCAG region (which includes the Los Angeles Basin), even though intercept surveys were not allowed at airports in the LA Basin.

In summary, we believe that the sampling plan for the air intercept survey avoids the biases that concern you, since it properly addresses all key origin-destination air travel markets of interest.

The airport SP screening questions also excluded those whose trip origin was in California but were connecting to a flight in California to a final destination outside California. Was this possibility accounted for?

Yes, the possibility of including connecting air travel was considered, but was excluded from the model design for two primary reasons.

---

[9] Corey, Canapary & Galanis Research (December 2005), *High-Speed Rail Study Survey Documentation*, p. 2 and p. 1 of example survey form.

First, the diversion of connecting air travelers was included in prior modeling efforts sponsored by the HSRA. This market segment was found to be very small accounting for less than one percent of HSR's ridership and revenue potential[10].

Second, surveying connecting passengers would have required separate versions of the stated-preference questionnaire. Connecting passengers would have had to be treated as a separate market segment with concomitant survey size requirements. This, in turn, would have substantially increased survey costs.

In summary, the combination of limited market potential and high survey costs led to a decision not to include connecting air travel in the model design[11].

The automobile SP survey also includes some problematic choices. The screening question excludes everybody except those households that took at least one interregional auto trip in the HSR service area. It would have been useful to at least collect information on all trips (and their modes) in the HSR service area. This would have provided an additional source of random sample information that could be used to check problems caused by the choice-based nature of the primary data sets. Is there any reason why this was not done?

We disagree with the statements that the automobile SP survey *"also includes some problematic choices"* and that the sampling plan may introduce *"problems caused by the choice-based nature of the primary data sets"*.

The primary purpose for collecting new surveys as part of the model development project was to gather stated-preference information to estimate mode choice models that could be used to forecast HSR's ridership potential[12]. This focus was identified very early in the project. Although multiple sources of pre-existing revealed-preference data were available, no prior stated-preference database existed to explore the potential of shifting to HSR.

The revealed-preference portion of the new surveys was collected to:

1. Supplement existing Caltrans and MPO survey datasets to estimate or validate trip frequency and destination choice models; and
2. Provide inputs to develop customized choice exercises for each respondent in the stated-preference survey.

"Information on all trips": The survey design and sampling plan were discussed at length. An early draft included questions on all trips and modes taken. However, the additional questions were quite lengthy and burdensome to add to telephone and intercept surveys that were already quite long. The merits of different survey elements and sample sizes were debated at

---

[10] Charles River Associates Inc. (January 2000), *Independent Ridership and Passenger Revenue Projections for High-Speed Rail Alternatives in California,* Draft Final Report, Table 4-7.

[11] Cambridge Systematics, Inc. (May 2005), *Bay Area/California High-Speed Rail Ridership and Revenue Forecasting Study: Model Design, Data Collection and Performance Measures,* Table 3.2 and p 3-8.

[12] Ibid; p. 3-1.

length during the first peer review meeting. In the end, there was unanimous agreement that resource allocation decisions should favor expansion of the survey sample size.[13] This agreement led to forgoing other potential survey ideas, such as a retrospective trip frequency survey.

"Additional source of random sample information": These additional data are not needed for screening, model estimation, or for model validation and application. The representation of some segments in a greater proportion than their true incidence in the population due to choice-based sampling is taken into account and explicitly controlled for during the model development process in the following ways:

- **Screening.** The focus of the SP survey was on the most relevant trips for the study and corridors of interest. The objective of this survey is to make respondents think about a recent trip and put themselves in the position of comparing their current travel options against a well defined alternative which does not currently exist.

- **Model Estimation.** The choice-based nature of the primary dataset does not cause problems either in model estimation or in model application. Estimation using random and choice-based samples produces efficient (best linear) and unbiased level of service and cost coefficients.

- **Model Validation/Application.** Choice-based sampling only affects the size of the modal constants. This simply reflects the fact that some market segments are represented in greater proportion than their true incidence in the population. Modal constants are adjusted during model validation using well accepted methods to eliminate any biases.[14,15,16]

In summary, the use of choice-based sampling does not introduce any problems. Instead, it provides a very powerful approach to focus on members of one or more small market segments of interest to this study. A larger sample size from these market segments allows us to analyze their behavior to better understand and quantify the determinants of both their current and future travel choice behavior.

---

[13] Cambridge Systematics, Inc. (July 2005), *Bay Area/California High-Speed Rail Ridership and Revenue Forecasting Study: Findings from First Peer Review Panel Meeting, Draft Report*, p. 4-3.

[14] Manski, C. F., and S. R. Lerman, (1977), The Estimation of Choice Probabilities from Choice-Based Samples, *Econometrica* 45(8): 1977-88.

[15] Ben-Akiva, M. E., and S. R. Lerman, (1985), *Discrete Choice Analysis: Theory and Application to Travel Demand*, MIT Press, Cambridge, Massachusetts.

[16] Koppelman, F. S., and L. A. Garrow, (2005), Efficiently Estimating Nested Logit Models with Choice-Based Samples: Example Applications, *Transportation Research Record 1921*: pp. 63-69.

The SP tasks only vary fuel costs for the auto alternatives and single fares for air and HSR. It is not clear from the documentation how respondents were supposed to treat trips with multiple passengers. It would have been much better to be explicit about this when building the customized SP survey task.

The choice experiment included clear instructions for how respondents should consider party size. Both the choice experiment and the estimated models accounted for differences in cost considerations between traveling alone and traveling in groups with multiple passengers.

Key aspects of the choice experiment include the following:

- The experiment was customized to each respondent's recent travel and used as a basis the same reference trip described by the respondent including party size.
- The difference between driving alone and carpooling with other passengers was explicitly mentioned in the introduction to the stated-preference survey[17]. ("On the trip you described to us, you indicated there were a total of _____ persons (including yourself) traveling in your party".)
- Comparable and consistent costs across all modes were displayed so that the respondent could make a stated choice for the same reference trip.
- It is reasonable to assume that respondents who travel with other passengers implicitly make the calculation for the cost of the entire reference trip taking into account the size of the traveling party.
- Such an approach is consistent with their observed behavior for the same reference trip that was the basis of the stated-preference experiment.
- In the instructions to the choice experiments, respondents were repeatedly reminded to consider their reference trip as the basis for their choices: "Remember we are interested in the specific trip we have been discussing (the one you took from your home to ___________ (destination city)". Finally, the level of customization was very high with hundreds of different versions of the stated-preference questionnaires reflecting about 30 different origin-destination segments and 16 different blocks for each segment.

In summary, respondents were presented with, and properly accounted for, the impact of party size on travel costs. During model estimation, we in turn uncovered important differences in travel behavior between those traveling alone and those traveling in groups. These differences were important enough to warrant the extra step of segmenting the long-distance travel market by party size to properly reflect differences in tradeoffs and travel behavior.

---

[17] Corey, Canapary & Galanis Research (December 2005), *High-Speed Rail Study Survey Documentation*, p. 62.

It would also have been better to include the underlying gasoline price in the presentation of the auto alternatives since most people think about fuel costs in terms of gasoline price and they may not have a good idea of the mileage involved in an infrequent auto trip. Was this considered?

We do not believe that including the underlying gasoline price in the choice exercises would have improved the realism of the choice experiment, and therefore the quality of the responses obtained. On the contrary, presenting the price of fuel instead of the cost of the trip by auto could have introduced biases in the responses to the survey. The reasons for our approach are as follows:

- The experiment presented all competing modes on an equal footing using comparable total one-way costs and level of service characteristics for each mode;
- In transportation-related choice experiments, it is customary practice to present the costs for each travel option using an equivalent monetary basis (i.e., the total cost to travel from point A to point B);
- It is possible that using the gasoline price may have increased respondent burden and could have confused some respondents;
- Presenting fuel price alone would have required respondents to calculate the total auto travel cost based on mileage and fuel economy; and
- Instead of asking respondents to perform a comparison of a generalized auto fuel cost to specific air and rail fares, the survey included the calculation and presented only the total fuel cost to simplify the choice task.

In summary, we believe that presenting only the per gallon fuel price would increase the burden on respondents, introduce the risk of miscalculations of relative costs across modes, and potentially could have led to bias in the survey responses.

Part 2: Model Structure

1. *Sequence of estimation of component models in model system:*

On the first instance of page 3-3 (there are two instances of each of pages 3-1, 3-2, and 3-3), it is stated that there was an initial model development step which started at the top of the hierarchy and worked downward; this necessitated the use of a "substitute accessibility or impedance measure". This top-down step was followed by a second estimation step, which was in the usual bottom-up direction. The substitute measures were replaced by the actual measures in that second step. It is not clear why a top-down step was used initially, as the coefficients estimated in that step are not the final ones, and do not serve any purpose that we can discern. The bottom-up estimation step does not use these initial estimates in any manner, nor does it need to. Can the modelers explain why this unusual first step approached was used?

The initial step in the estimation process we followed for this project is not an unusual first step when confronted with the lack of accurate skims/logsums at project start-up.

The use of simplified impedance measures for a "first cut" of the logsum variable is a common practice when confronted with the practical realities of travel modeling. Few agencies publish the details of their model estimation procedures; however, the use of substitute impedance measures to simplify model applications is documented for other areas [18].

In addition, due to schedule considerations, the initial versions of the various models (mode choice, destination choice, frequency, etc.) were developed in parallel before the accessibility measures from the lower-level models were available.

The approach provided a practical approach for reducing overall model estimation time. It also provided a useful proof of concept step since it was possible to get initial estimates of the model coefficients using the substitute accessibility and impedance measures.

The final specification and estimation of the models were done sequentially using the bottom-up approach. During model estimation, the proper logsum measures of composite utility were calculated from the lower-level models and used as inputs in higher level.

---

[18] Activity-Based Travel Model Specifications: Coordinated Travel – Regional Activity Based Modeling Platform (CT-RAMP) for the Atlanta Region, Atlanta Regional Commission, March 2009, page 31.

Bradley, M., and J. L. Bowman, Design Features of Activity- Based Microsimulation Models for U.S. Metropolitan Planning Organizations – A Summary, in *Innovations in Travel Demand Modeling, Summary of a Conference, Volume 2 – Papers*, Transportation Research Board, Washington, D.C., 2008, page 19.

There is no airport/station choice model. Apparently all trips are assumed to be made from the closest station/airport based on the local networks. In some cases, moreover, the closest station/airport may vary according to access mode (e.g., SFO and OAK). It is not clear how this is handled.

An airport station/station choice model provides a level of detail that was not critical for meeting the objectives of the HSR Ridership and Revenue Study sponsored by MTC.

A station model refers to a lower-level decision compared to the main mode choice decision. Therefore, it was unlikely it would affect the ridership forecasts for the overall system or for different alignments developed using the HSR ridership and revenue model.

The approach used relies on building transit and auto paths between Traffic Analysis zones to determine the most likely access and egress station. A similar process was used to determine the closest airport. These paths take into account the level of service of the access and egress modes and the frequency of service at each station and airport.

2. *Accessibility measures for intraregional trips:*

It is stated, on the second instance of page 3-1, that intraregional models maintained by the MPOs do not include destination choice models, and therefore do not produce logsum measures. This necessitated the use of the "substitute accessibility measures" (mentioned above) for the intraregional trips in the final estimation of the trip frequency models. Four such measures were used (one for each market segment: auto-peak, auto off-peak, non-auto-peak and non-auto-off-peak). The functional forms for these measures are presented without any justification. What is the theoretical or empirical basis for these functional forms?

The empirical basis of these functional forms is that they offer simplified versions of the full-fledged destination choice logsums. Complete logsums cannot be estimated in this case because destination choice models are not part of the intraregional MPO models.

The simplified formulation has been used in various urban activity-based model systems[19]. These accessibility measures are relatively easy to calculate while still providing good approximations to more "complete" logsums that would have been used if the intraregional MPO models included a destination choice model formulation.

---

[19] Ibid.

Part 3: Model specification and estimation

1. *Market Segmentation*

Each model is segmented on short and long trips and these are estimated separately. This causes problems on the long/short trip boundary (100 miles) as can easily be seen in Figure 3.4 in the Model System Development Final report dated August, 2006. The "net utility" (presumably the index function in the choice models?) for short business trips declines from 0 to -4 at 100 miles, and then jumps back up to -1.7 before declining again and finally rising starting at 250 miles. Similar behavior occurs for the other trip types. This discontinuity may cause strange forecasting behavior for trips close to 100 miles. Was this issue addressed?

We disagree that the segmentation of trips into long trips and short trips *"causes problems"* in model application.

We believe that the information in Figure 3.4 is being misinterpreted, and that the reviewer did not carefully read the text on Page 3-17. The y-axis in Figure 3.4 is labeled "net effect", not "net utility". The text on Page 3-17 points out that the "net effect" shown in Figure 3.4 is "the collective impact of all three distance coefficients on one's destination choice".

The word "net" is used because these are the residual distance effects of the mode choice logsum components accounting for the travel time and cost sensitivity in the models. After accounting for all level of service-related contributions to the mode choice logsum, it is not obvious that the residual effect of distance should have any particular shape. Essentially, "net utility" is not the correct item to review. To get a truly informative plot by distance, one would need to calculate the mode choice logsums between all TAZ pairs, add the residual distance effects, and then average and plot the combined information by distance or distance band.

The text states that "caution should be used in interpretation because a great deal of the impedance between origin-destination pairs is captured within the travel impedance term [from the mode choice model] and coefficient", not simply the distance terms shown in Figure 3.4 (emphasis added).

The primary reason that the distance effects were included in the destination choice models is the typical finding in practical, operating (urban) models that mode choice logsums by themselves are not adequate to represent all of the separation effects between destinations. Trying to explain all of the separation impacts solely by the logsums leads to unreasonably high logsum coefficients. The formulation used for the interregional destination choice models parallels the formulation found in the large majority of advanced destination choice models used in metropolitan areas.[20,21]

---

[20] San Francisco Travel Demand Forecasting Model Development, *Destination Choice Models – Final Report*, prepared for San Francisco County Transportation Authority, prepared by Cambridge Systematics, Inc., October 1, 2002.

[21] Appendix E – Travel Demand Model Technical Memorandum, prepared for Memphis Metropolitan Planning Organization, prepared by Kimley-Horn and Associates, Inc., March 2008.

On Page 3-2 of the "model system development" report, the market segments are defined. Does this imply that any off-peak business or commuting trips were ruled out?

No, this is not the case. Time of day of travel was not used to remove observations from the model estimation dataset.

The main distinction in model estimation was that all business and commute trips used peak period level of service information, and all other trips used off-peak level of service information.

This is consistent with MPO practice to use peak period levels of service for home-based work trip distribution and off-peak skims for home-based non-work and non-home-based trip distribution. This modeling approach is used extensively in urban models when there is not an explicit time-of-day choice model. In a recent survey of 15 large MPOs, 11 agencies had used peak skims for home-based work trip distribution, including MTC, SCAG, MWCOG, DRCOG, and Las Vegas RTC[22].

2. *Trip frequency models*

The report does not indicate which data sets were used for the development of these models: the SP data, the Caltrans RP data, the MPOs' RP data or some combination of the above? (Note that this issue is partly clarified later, in the description of the destination choice models; see next bullet).

The report correctly states that the dataset used for the trip frequency models is "comprised of interregional trips from the California Statewide survey, the SCAG survey, the SACOG survey, and the MTC/BATS survey"[23].

---

[22] RTC 2004 Regional Travel Demand Model, prepared for Regional Transportation Commission of Southern Nevada, prepared by Parsons Corporation, September 2004, page 7-5.

Integrated Regional Model - Model Refresh Project, Chapter 5: Mode Choice Model Documentation, prepared by Denver Regional Council of Governments, December 2004, pages 4-5.

Charles L. Purvis, Travel Demand Models for the San Francisco Bay Area (BAYCAST-90) - Technical Summary, Metropolitan Transportation Commission, Oakland, California, June 1997, page 16.

[23] Cambridge Systematics, Inc. (August 2006), *Bay Area/California High-Speed Rail Ridership and Revenue Forecasting Study: Interregional Model System Development, Final Report*, p. 3-15.

There is some inconsistency between the statements made at the bottom of page 3-15 and that made earlier on (the first instance of) page 3-2 regarding the datasets used to develop the trip frequency models. On page 3-2, it was stated that the estimation dataset for these models were the statewide survey diary-days. On page 3-15, we learn that the dataset used for the trip frequency models consisted of the California Statewide survey, the SCAG survey, the SACOG survey, the MTC survey combined with stated-preference survey. It should be noted that the sample sizes shown in tables 3-3 and 3-4 seem to indicate that the second description is the correct one. Is this the case?

As noted in the prior response, the trip frequency models were estimated from a combined dataset comprised of the three MPOs RP data and the Caltrans RP data. This dataset description was mentioned on page 3-15:

> "The dataset used for the trip frequency models (comprised of interregional trips from the California Statewide survey, the SCAG survey, the SACOG survey and the MTC/BATS survey)…"

The trip frequency dataset did not include any information from the state-preference survey as implied in the question above.

The use of a MNL model for trip frequency is statistically incorrect, because the number of trips (0, 1, 2 or more) is an ordinal (rather than categorical) dependent variable. MNL models are appropriate to use only when the dependent variable is categorical (e.g., modes, destinations, etc.). For ordinal variable, the correct modeling approach is an Ordered Logit or Ordered Probit model. Is there a reason why ordered models were not used? Were such models attempted?

We do not agree that the trip frequency models were estimated in a manner that was *"statistically incorrect"*. The method used was one of several model formulations that were considered for the trip frequency model including ordered and Poisson models.

The analysis of the long distance travel survey data revealed a concentration of observations in the "no travel" and "one long distance trip" categories. There were simply insufficient choices of "two or more trips" to warrant or support the estimation of an ordered or Poisson model formulation for an ordinal dependent variable.

As a result, the model was estimated as a binary MNL choice model comparing two "categories" of long distance trips: "don't make a long distance trip" versus "make a long distance trip". The "two or more trips" subcategory basically represents those travelers who elected to not stay overnight at their destination.

In the application of the model, the "two or more trips" choice was specified using the same model coefficients as the "make a trip" choice and a constant was calibrated to produce the correct number of "two or more trips" trip makers (i.e., those who elected to not stay overnight at their destination).

The "Regional dummy variables", described earlier on the same page, are set on the basis of the households' residence. They do not refer to the trip's destination (which is obvious since the dependent variable in the present model is trip frequency, not trip destination!). Therefore, the statement in the bullet before last on page 3-7 (which attributes the high MTC regional coefficient to the Bay Area's tourist and other attractions) is wrong. The correct interpretation of that coefficient is that, all else equal, Bay Area residents make more trips outside of their region relative to residents of other regions. This result is the opposite of what the modelers expected (as stated at the top of the same page). Can this unexpected result be explained?

We agree with the reviewers' point. The text is not consistent with the estimation results reported in the summary table. Also, little emphasis should be placed on the interpretation of regional constants which simply reflect what is left unexplained by the model.

For clarification, we want to point out that the regional dummy variables shown in the report are based on the model estimation and are not the final values. They were later adjusted as part of the calibration/validation process to reproduce observed overall levels of interregional trip making from the four areas.

The final model coefficients and constants were included in the text file "coeffs.txt" that has been available from MTC since 2007. These final values were also summarized in tables included with a memorandum from George Mazur to Nick Brand, dated January 29, 2010.

The logsum measures were constrained in the final model estimation, because (as stated at the bottom of page 3-7) they came out relatively small in the estimation. What was the basis for the value that the modelers selected?

Logsum coefficients were constrained to the commute coefficient. The basis for use of this value is that the commute purpose had the smallest coefficient of all purposes and resulted in more conservative and stable estimates of induced travel.

The report contains two totally different set of results for the Long Trips Frequency Models: Tables 3.2 and 3.3 (the two tables have the same title). To add to the confusion, the report states, on page 3-10, that Table 3.3 "presents the estimation results of the trip frequency models for short trips" (emphasis added). One additional source of confusion is that the discussion on page 3-10 is not consistent with either the results presented in Table 3.3 or Table 3.4! We would welcome a clarification of the proper table numbers and titles; without that, it is not possible to make sense of the text.

We agree that the text requires editing to clarify these differences.

Table 3.3 is the model estimation summary table for long trips (instead of Table 3.2). Table 3.4 is the model estimation summary table for short trips. The discussion on Page 3-10 needs to be revised to reflect the model coefficients and constants included in the text file "coeffs.txt". These final values were also summarized in tables included with a memorandum from George Mazur to Nick Brand, dated January 29, 2010.

3. *Destination Choice Models*

The combination of the Revealed-preference (RP) data (from the Statewide survey and regional MPO surveys) with the Stated-preference (SP) data was done without accounting for the differences between these two types of data; this is confirmed by examining tables 3.9 and 3.10. What was the reason for ignoring the differences between the two data sources?

We did not combine the RP and SP datasets to estimate destination choice models.

For purposes of destination choice model estimation, only the revealed-preference data that included the actual locations of the origins and destinations of the trips were used for model estimation.

Although the O-D trip information formed the basis for the stated-preference experiments, none of the stated-preference information was used in destination choice model estimation. Since the SP information was not used, there are no issues related to *"differences between the two data sources"* as stated in the comment.

It is true, as stated in the middle of the page, that one cannot interpret the individual distance coefficients individually, but rather should consider their collective impacts. Accordingly, the collective impact of the distance coefficients in the destination choice models for long trips (Business and Recreation), shown in Figure 3.4, leads to incorrect predictions. These figures imply that, everything else being equal, destinations that are more than approximately 250 miles apart become increasingly attractive with distance! Is there an explanation for this counter-intuitive result?

We believe that the reviewers have misinterpreted Figure 3.4 and drawn incorrect conclusions.

The y-axis in Figure 3.4 is labeled "net effect", not "net utility". The text on Page 3-17 points out that the "net effect" in Figure 3.4 is "the collective impact of all three distance coefficients on one's destination choice". The text goes on to state that "caution should be used in interpretation because a great deal of the impedance between origin-destination pairs is captured within the travel impedance term [from the mode choice model] and coefficient", not simply the distance terms shown in Figure 3.4 (emphasis added).

In summary, the distance effects are residual, and should not be interpreted apart from the mode choice logsum effects.

4. *Access/Egress Mode Choice Models*

The data set used for model estimation is not specified precisely: it appears that the SP data and some RP data were used, but it is not clear which subset of the latter were included. Can a clarification be provided?

All of the data used for estimation of the access/egress mode choice models came from the new surveys collected for this project and included both stated-preference and revealed-preference survey responses. As detailed in the Interregional Model System Development Report:

> "The access and egress mode choice models were based on actual reported and hypothetical stated data. For people who were intercepted making actual air or rail journeys, the access and egress mode choices are the actual reported ones. For people whose actual journey was by car, the air and conventional rail access/egress mode choices are hypothetical. Obviously, the HSR access and egress mode choices are hypothetical for all respondents. So, each respondent provided up to 3 access choices and 3 egress choices, although most respondents only provided 2 of each, because conventional rail and air were only included together in the mode choice set for the LA-SD surveys."[24]

Both Access and Egress models are Nested Logit (NL) models. The estimation results of the two models are shown in Tables 3.12 and 3.13. There are five market segment models for Access (and five for Egress): Long Trip Business, Long Trip Other, Short Trip Business, Short Trip Commute and Short Trip Other. By comparing the estimation results in the two tables, one can see that the Nest's logsum coefficients are exactly the same across the two sets of models (i.e., for each market segment, the Nest logsum coefficient is the same for access and egress). With the exception of one model (Short-Trip-Other) where the logsum for the Nest is constrained, these coefficients are all estimated statistically! Can the modelers explain how the Nest Logsum coefficient estimates came out to be exactly the same across four pairs of models?

The reviewer has correctly identified that the values reported in the Interregional Model System Development Report are from model estimation, and are not the final coefficients and constants. The nest logsum coefficients from model estimation were not correctly reported in Tables 3.12 and 3.13 of this report. However, the final model coefficients and constants were included in the text file "coeffs.txt" that has been available from MTC since 2007.

These final values were also summarized in tables included with a memorandum from George Mazur to Nick Brand, dated January 29, 2010. Based on an April 13, 2010 e-mail from George Mazur to Samer Madanat (Subject: Re: List of Reports), it was our understanding that the review team had the final model coefficients and constants:

> "From your e-mail, I surmise that your team has CS' January 29, 2010 memorandum and the accompanying tables that show the final calibrated coefficients and constants. I also draw your attention to my March 3, 2010 memorandum to Medhi Morshed that explains the typographical error in the January 29 tables. The March 3 memorandum provides additional information about the model

---

[24] Ibid. p. 3-28.

> calibration and validation process, including the Peer Review's role in informing that process. I have attached the March 3 memorandum to this e-mail."

In summary, the nest logsum coefficients are not the same across pairs of models. In the access mode choice models, the four logsum coefficients range in value from 0.37 to 0.57, with one value constrained to 1.0. In the egress mode choice models, the five logsum coefficients range in value from 0.28 to 0.76.

The same observation made above with respect to the Nest logsum coefficients applies to the Scale coefficients (SP/RP): the Scale coefficients for four of the models are constrained (they are constrained to be equal to 1.0 in both Access and Egress models without justification). The only scale coefficient that is statistically estimated is that for the Long-Trip-Business models, but here, the coefficient in the Egress model is exactly the same as that in the Access model. The question asked in the previous bullet applies here as well.

As noted earlier, the final model coefficients and constants were included in the text file "coeffs.txt" that has been available from MTC since 2007. These final values were also summarized in tables included with a memorandum from George Mazur to Nick Brand, dated January 29, 2010.

For the access mode choice model, most scale parameters were constrained to 1.0. As documented in the Interregional Model System Development Report:

> "For most of the Access mode segments, the scale (the inverse of the residual error variance) for the hypothetical choices was not significantly lower than 1.0. It was only so for the Business Long segment, which is mainly air travelers. This result suggest that most people are fairly familiar with the travel options near their home, but that business travelers may be more familiar with the airport access situation than with possible access to rail stations.
>
> In contrast, for most of the Egress model segments, the scale factor on hypothetical choices is significantly less than 1.0. This result indicates that many respondents have difficulty making accurate tradeoffs for mode choice in less familiar surroundings at the non-home end of their trip, so that hypothetical choices should be weighted less in estimation than actual ones."[25]

The scaling parameter was constrained to 1.0 in cases where it was clear that it was not significantly different from 1.0 and, that by constraining the scaling parameter, logsum parameters could be estimated.

---

[25] Ibid. p. 3-34

The text description of the model estimation results (on page 3-34) is inconsistent with the results presented in Tables 3.12 and 3.13. The text indicates that the Scale coefficients were not constrained but rather statistically estimated (and that the Scale coefficient estimates were significantly lower than 1.0 in the Egress models). Either the text or the Tables are correct. Which one is it?

The text is correct and matches summary information in Tables 3.12 and 3.13 included with the January 29, 2010 memorandum from George Mazur to Nick Brand.

5. *Main Mode Choice Models*

The data set used for estimation of the main mode choice model consisted only of the SP survey data, despite the availability of a large RP data set (the interregional trips in the statewide Caltrans survey and those in the MPO surveys)! Why was this decision made?

The stated-preference dataset was used to assess the potential diversion of existing drivers and air travelers to high-speed rail. Although intercity rail is a currently available travel option for some origin-destination pairs and is present in the revealed-preference dataset, its characteristics are quite different than high-speed rail, which is only available in the stated-preference survey.

The revealed data in the Caltrans and MPO surveys were so limited in terms of modes other than auto that they would have added only to the automobile sample. Information on travel by automobile in the stated-preference survey was sufficient for model estimation purposes. So, although additional data on auto use were available in the revealed-preference dataset, there were few additional records for the non-auto modes and, of course, no observations of high-speed rail usage.

These issues, and the possibility of including revealed-preference data in the mode choice model estimation dataset, were discussed with MTC, HSRA, and the peer review panel. There was unanimous agreement that such an approach was not a priority and should not be pursued.[26]

Another concern with the SP data used for estimation is that each respondent provided responses to several hypothetical choice situations. It is expected that the variance of the error-term increases with time (this trend has been confirmed in the literature, Reference). To account for this, a number of scale coefficients should be specified and estimated in the model. It appears that no such scaling was performed; what is the reason for this omission?

We disagree with the statement that "*scale coefficients should be specified and estimated in the model.*" We appreciate the concern noted here and addressed it by including only four stated-preference choice exercises for each respondent. This approach was adopted to keep the survey burden manageable and avoid the type of fatigue effect referred to by the reviewers.

Mark Bradley, a subconsultant for the model development project, published some of the original research on that effect.[27] The fatigue effect is not a typical consideration in applied transportation stated-preference studies since these surveys are generally short. Also, no adjustment was made to the standard errors for the repeated measurements per respondent. Again, using only four choice experiments per respondent suggests that such an adjustment would not be necessary and would not affect the estimation results obtained with the unadjusted standard error.

---

[26] Combining revealed- and stated-preference data to calibrate model for HSR was also outlined in Cambridge Systematics, Inc. (May 2005), *Bay Area/California High-Speed Rail Ridership and Revenue Forecasting Study: Work Plan, Final Plan*, p. 1-14.

As with the other models in the report, the number of constrained coefficients is large. We understand the need to set the alternative specific constants to match baseline validation mode shares, but do not understand the justification for constraining key parameters like reliability, service headway, in-vehicle time, cost, etc. Can the modelers explain why so many coefficients were unconstrained?

It appears that the question had a typographical error, and that you meant to ask *"can the modelers explain why so many coefficients were constrained"*. Our response reflects this interpretation of the question.

The debate whether to constrain coefficients to values that are different than those obtained during model estimation arises often in practical applications where estimated models are examined and then calibrated before they are applied to forecast ridership. Constraining coefficients is undertaken only to improve the robustness of the model by enhancing its internal consistency and the ability to replicate existing travel patterns.

There are many examples where models use constrained coefficients to reflect the experience from other similar projects and study areas. In the Federal New Starts program, the Federal Transit Administration (FTA) places priority on robust forecasts instead of detailed model estimation. To support this approach, the FTA recommends a range of constrained values for key service and cost coefficients to guide the model application using a robust modeling tool[28].

In this project, constraining coefficients required the model development team to apply its professional judgment to calibrate the model and develop a robust tool for application. We weighted statistical evidence from the data against the sensitivity of the model, literature that reflects previous evidence, and the ability of the model to predict observed travel patterns.

The application of the unconstrained models obtained directly from model estimation did not satisfactorily replicate the observed conditions in the base year. To match the control totals by focusing only on the modal constants would have required major changes in the values of the modal constants that would have a major adverse impact on the policy sensitivity of the model.

---

[27] Bradley, M., and A. Daly (1994), "Use of the logit scaling approach to test for rank order and fatigue effects in stated-preference data," *Transportation*, Volume 21, pp. 167-184.

[28] Travel Forecasting for New Starts, A Workshop Sponsored by the Federal Transit Administration, March 23-25, 2009, Tampa, Florida, FTA New Starts guidance.

The rationale for evaluating the estimated models and constraining the individual coefficients in the mode choice model can be summarized as follows:

- Reliability was constrained because it was difficult to measure in the survey and the results did not meet expectations from other studies. The reliability measure was discussed by the peer review panel, and it was suggested that we consider revising the measure to be consistent across modes (within 60 minutes of scheduled time) during model calibration, and that we consider constraining this variable to account for the change in definition[29].

- Service headway (frequency) was constrained during model calibration to address an overestimation (compared to observed base year data) of air trips in markets with low frequency air service and an underestimation or air trips in markets with high frequency air service. Service headway coefficients were set to match in-vehicle time coefficients based on professional judgment of the model development team. This constraining was deemed to be a more reasonable approach than use of higher mode-specific constants that would have a greater impact on the sensitivity of the model. The merits of different potential interpretations and values for the headway coefficient were documented in draft and final versions of the model development report (page 3-36 in the final version). The value of the constrained headway coefficient was within the range of reasonable values presented to peer review.

- The constraining of the cost and in-vehicle travel time values for short business and commute segments is described in detail in the model development report (page 3-36): "For the three largest segments, the cost and in-vehicle time parameters were estimated nonconstrained and give very reasonable values of time. For the Short Business and Commute segments, the original in-vehicle time coefficients were quite low, and so were constrained to give values of time that seem more in line with other models. In general, VOT for the longer, more expensive trips is higher than for the shorter, more frequent trips. This is a typical result."

In summary, the need to constrain individual coefficients reflected the objective of the development team to better replicate existing travel patterns, maintain the policy sensitivity of the models, and enhance the robustness of model application.

---

[29] Cambridge Systematics, Inc. (July 2006), *Bay Area/California High-Speed Rail Ridership and Revenue Forecasting Study: Findings from Second Peer Review Panel Meeting, Draft Report*, p. 3-7.

Appendix B

Cambridge Systematics Responses to ITS June 11 Questions

June 24, 2010

CAMBRIDGE
SYSTEMATICS
Transportation leadership you can trust.

Memorandum

TO: Samer Madanat

FROM: George Mazur

DATE: June 24, 2010

RE: Response to Questions

This memorandum provides responses to the three clarification questions included in your June 11, 2010 correspondence. Please contact us if you have any further questions.

Question #1: Data Sets for Trip Frequency and Destination Choice Models

New Question

This response contradicts the text at the bottom of page 3-15 and the top of page 3-16 of the final report, which is shown above under "Our observation". It also contradicts the information given on (the first instance of) page 3-2 of the final report, third bullet:

> "Destination choice models-...The model input data are a mix of trips from the statewide survey and the SP survey. ..."

Either the Final report or the CS response is correct; we would welcome a clarification.

Response

There appears to be confusion stemming from different usages of the term "SP survey". "SP survey" and "SP dataset" were used interchangeably in the Interregional Model System Development (IMSD) Final Report to refer to both the overall survey effort conducted in 2005 as part of the model development project as well as specific subsets of data from that survey. We understand that this usage is causing confusion.

To clarify, we suggest using the phrase "HSRA 2005 Statewide Surveys" instead of "SP Survey" when referring to the overall survey effort. The "HSRA 2005 Statewide Surveys" includes both a revealed preference (RP) dataset and a stated preference (SP) dataset. The RP dataset includes information about the survey respondent and the specific observed trip that served as the basis for constructing the respondent's customized choice exercises. The SP dataset includes the values presented to the respondent in each choice exercise as well as the actual choice made by the respondent in each exercise. The table below uses this naming convention to illustrate the survey data used for estimating each model component. Regarding your prior question about combining "Revealed Preference (RP) data (from the Statewide survey and regional MPO surveys) with the Stated Preference (SP) data" for the destination choice model, the table below shows that such a combination did not occur. Only RP data were used in estimating the destination choice model.

Datasets Used for Model Estimation

Travel Model Element	Caltrans 2000 Statewide Survey	MPO Household Surveys*	HSRA 2005 Statewide Surveys	
			Revealed Preference (RP) Dataset	Stated Preference (SP) Dataset
Trip Frequency Models	✓	✓		
Destination Choice Models	✓	✓	✓	
Access/Egress Models			✓	✓
Main Mode Choice Models				✓

* Includes interregional travel records from MTC, SACOG and SCAG household travel surveys.

Question #2: Access and Egress Models

New Question

According to the memorandum George Mazur to Nick Brand, dated January 29, 2010, the model structure was finalized in April 2007. By this, we understand that the coefficient estimates included in the text file "coeffs.txt" date from approximately April 2007.

The Interregional Model System Development report has a date of August 2006 (eight months prior to finalization of the model), yet the text from page 3-34 refers to the values of the final model coefficients (as made clear in the CS response). Does the report refer to results that were obtained several months after it was prepared?

We believe a clarification of this apparent contradiction is needed.

Response

The Interregional Model System Development (IMSD) Final Report does not refer to results obtained several months after its publication. The January 29, 2010 memorandum identifies the **final** model coefficients, while the IMSD Final Report (August 2006) identifies the initial **estimated** coefficients prior to initiation of model calibration and validation. As it turns out, the estimated access and egress coefficients did not change in the calibration/validation process, and the final coefficients are the same as those presented in Table 3.13 in the IMSD Draft Report that was sent to the Peer Review Panel. During preparation of the IMSD Final Report, information from Table 3.12 was inadvertently copied into Table 3.13, and overwrote the correct table values for the egress mode choice coefficients that appeared in the IMSD Draft Report. While the text in the IMSD Final Report is correct, we have identified that the information in

Table 3.13 of the Final Report is not correct. The values for Table 3.13 in the IMSD Final Report should be the same as the ones presented in the IMSD Draft Report and in the January 29, 2010 memorandum because the egress coefficients did not change.

Statewide Model Validation

New Question

The procedure followed for calibrating the mode-specific constants is described in the report titled "Statewide Model Validation", prepared by Cambridge Systematics and dated July 2007.

Page 5-13 contains a description of the procedure used for calibrating the constant for the HSR mode. This description is not clear. We would welcome a more detailed, step by step description of this procedure.

Response

During model validation the constants for the existing auto, air, and rail intercity modes were calibrated to reflect existing market shares and levels of service. The procedure for determining the constants for high speed rail (HSR) was informed both by the model estimation results and by the final calibrated values of the constants for existing modes.

In addition, HSR constants were carefully assessed to avoid "optimism" bias that is often present in forecasts for new modes and facilities. For this detailed response, we first briefly discuss this consideration, then present the model validation results for the existing intercity modes, and finally discuss where HSR constants are positioned within the range of constants for existing intercity modes.

Optimism Bias

Past experience with forecasting ridership for new urban and intercity rail projects suggests the presence of optimism bias. Large constants for new rail modes often reflected a high degree of anticipated adoption by travelers. The application of models without careful consideration of the potential for optimism bias can lead to ridership forecasts that may prove too optimistic.

Examples of the impact of optimism bias are presented by Pickrell who wrote a seminal paper in 1992 discussing rail ridership forecasts that substantially exceeded the experienced ridership[1]. Flyvbjerg, et al[2] have also examined mega projects where utilization forecasts proved too high and construction and operating costs were underestimated.

---

[1] Don Pickrell (1992), "A Desire Named Streetcar: Fantasy and Fact in Rail Transit Planning," *Journal of the American Planning Association*, Vol. 58, No. 2, Spring, pp. 158-176.

[2] Flyvbjerg, Bent, Mette K. Skamris Holm, and Søren L. Buhl, 2005, "How (In)accurate Are Demand Forecasts in Public Works Projects?" *Journal of the American Planning Association*, 71(2), spring 2005.

In the case of forecasting for urban rail projects in the US, the use of optimistic rail constants made the comparative analysis of project funding applications very difficult. In response, the Federal Transit Administration issued guidance on constraining model coefficients within a tight range[3]. The FTA also asked applicants to treat the attractiveness of the proposed rail service as equivalent to an enhanced bus service. These tight rules were aimed at developing a level playing field for all applicants and minimizing the effect of optimism bias[4].

The key lesson learned from these studies is that caution needs to be exercised when evaluating the potential of a mode that does not currently exist. We have used this approach to carefully evaluate the attractiveness of the HSR travel option whose adoption by the public has not been tested in California and in most of the US.

Calibration of Constants

The mode choice model calibration is an iterative procedure. Since observed target shares for auto, air, and rail trips could be estimated from base year data, the calibration of the constants for those modes could take place using standard calibration techniques. Specifically, the natural log of the ratio of target mode shares to modeled mode shares for the current iteration was used as an adjustment factor to the constant for the current iteration:

$$C_{n+1} = C_n + \ln\left(\frac{Target}{Modeled_n}\right)$$

where:

C is the constant
n is the iteration
Target is the target share for the mode
Modeled is the modeled share for the mode

The constants were adjusted for each iteration so that the next iteration auto constant was zero. This adjustment is performed by simply subtracting the value of the auto constant from each constant. This step was performed for the three existing intercity modes.

The HSR constants were initially developed during model estimation. This development included initial model estimation that was reported in the *Interregional Model System Development* report, and a final model estimation that was completed in conjunction with refinements to model coefficients prior to initiation of calibration The resulting HSR constants were finalized following the validation stage where the constants for existing air and rail service were determined. The final HSR constants approximate the relationship to air and rail constants that resulted from the final model estimation using the stated preference surveys:

---

[3] FTA Recommendations for New Starts projects discussed at http://www.fta.dot.gov/planning/newstarts/planning_environment_5615.html

[4] It should be noted that the FTA has recently relaxed the rules on the values of rail constants to some extent recognizing a small advantage of rail over bus alternatives.

$$\frac{(C_{HSR}-C_{Rail})_{Final}}{(C_{Air}-C_{Rail})_{Final}} \simeq \frac{(C_{HSR}-C_{Rail})_{Estimated}}{(C_{Air}-C_{Rail})_{Estimated}}$$

The Context for HSR Constants

The calibrated constants for existing auto, air, and rail modes reflect the market shares for each intercity mode for different trip length and trip purpose combinations and the level of service offered by each competing intercity mode across all origin-destination markets. These constants can be interpreted as the unobserved attributes of each mode over and above the level of service they offer. They can also be viewed as the residual effect that is left unexplained by the model and the explanatory variables used in the model specification.

In the **long distance business** market, auto travel is dominant with a market share of 88 percent. The constants for the existing air and rail alternatives are strongly negative to reflect an 11.5 percent market share for air and a much smaller share of 0.3 percent for intercity rail.

The final estimation results suggested that the HSR constant was positioned between the constants for existing rail and air service. This relationship has been maintained and the HSR constant has been positioned between the calibrated air and rail constants as shown in Table 1.

The observed market shares in the **long distance recreation/other** travel market are similar with auto at a market share of 88 percent, air at 11 percent and rail at just over one percent. The final estimation results for this market segment produced a high value for the HSR constant. To avoid the concern of optimism bias, the HSR constant was positioned between the existing air and rail constants in a manner consistent with the long distance business market.

In the **short distance** business and commute markets, auto travel commands a market share of 99 percent with conventional rail carrying the remaining one percent. In the short distance recreation market, conventional rail carries only 0.1 percent of the market with the rest dominated by auto travel.

For each of the three short distance travel purposes, the final calibrated constants for conventional rail are strongly negative to reflect the small market share and the current level of rail service. The HSR constants are assumed to be at a level that is comparable with existing rail service given the short distance nature of the service. The estimated and calibrated constants for short-distance travel markets are shown in Table 2.

In summary, in each of the intercity travel markets the HSR constants have been determined by the final model estimation results and the final set of calibrated constants for air and conventional rail services. This iterative process has been informed by the key consideration to determine HSR constants to minimize the negative impacts of optimism bias.

Table 1. Modal Constant Values for Long Distance Mode Choice Models

	Business/Commute – Long Distance			Recreation/Other – Long Distance		
	Initial Model Estimation[1]	Final Model Estimation[2]	Final Model Calibration[3]	Initial Model Estimation[1]	Final Model Estimation[2]	Final Model Calibration[3]
Auto	0.000	0.000	0.000	0.000	0.000	0.000
Conventional Rail	-0.387	0.013	-3.974	0.615	0.733	1.656
HSR	-0.3503	-0.329	-5.860	1.434	1.546	-0.181
Air	-1.645	-1.366	-7.506	0.690	0.795	-3.086

Sources:

1 *Interregional Model System Development – Final Report*; Cambridge Systematics, Inc; August 2006; Table 3-15.

2 Final model estimation results; Cambridge Systematics, Inc.; August 2006.

3 *Statewide Model Validation – Final Report*; Cambridge Systematics, Inc; July 2007; Table 5-4.

Table 2. Modal Constant Values for Short Distance Mode Choice Models

	Business - Short Distance			Commute – Short Distance			Recreation/Other – Short Distance		
	Initial Model Estimation[1]	Final Model Estimation[2]	Final Model Calibration[3]	Initial Model Estimation[1]	Final Model Estimation[2]	Final Model Calibration[3]	Initial Model Estimation[1]	Final Model Estimation[2]	Final Model Calibration[3]
Auto	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Conv. Rail	-0.268	-0.328	-4.432	4.232	4.742	-6.226	-0.385	-0.470	-5.025
HSR	-1.557	-1.626	-5.030	4.048	4.558	-5.714	0.504	0.411	-4.968
Air	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Sources:

1 *Interregional Model System Development – Final Report*; Cambridge Systematics, Inc; August 2006; Table 3-15.

2 Final model estimation results; Cambridge Systematics, Inc.; August 2006.

3 *Statewide Model Validation – Final Report*; Cambridge Systematics, Inc; July 2007; Table 5-4.

Appendix C

CA High-Speed Rail Authority Response Letter and Cambridge Systematics Comments on Draft Report

June 25, 2010

Curt Pringle, Chairman
Tom Umberg, Vice-Chair
Russell Burns
David Crane
Rod Diridon, Sr.*
Fran Florez*
Richard Katz
Judge Quentin L. Kopp*
Lynn Schenk
*past chair

ARNOLD SCHWARZENEGGER
GOVERNOR

FLYCALIFORNIA
Without ever leaving the ground.

CALIFORNIA HIGH-SPEED RAIL AUTHORITY

June 25, 2010

Professor Samer Madanat, Director
Institute for Transportation Studies
Department of Civil and Environmental Engineering
109 McLaughlin Hall
University of California
Berkeley, CA 94720

Dear Professor Madanat:

The California High-Speed Rail Authority appreciates receiving the Draft Report reviewing the "Bay Area/California High-Speed Rail Ridership and Revenue Forecasting Study: Interregional Model System Development Final Report." As described in the scope of work for this project, the Authority has conferred with Cambridge Systematics to prepare written comments on the Draft Report. The attached written response from Cambridge Systematics is directed at the technical modeling issues identified in the Executive Summary at pages 1-2 and discussed in the body of the Draft Report, pages 4 – 7.

Authority staff has carefully reviewed both the Draft Report and the Cambridge Systematics response. We believe Cambridge Systematics has provided a direct and credible response to each technical point raised and that the ridership model has been, and continues to be, a sound tool for use in high-speed rail planning and environmental analysis. In light of your conclusion that Cambridge Systematics has followed generally accepted professional standards in the modeling work, we anticipate your thorough consideration of its response to the technical modeling issues in the preparation of your Final Report.

The Authority also wishes to comment on the non-technical, final conclusion offered in the Executive Summary of the Draft Report, which states: "the forecasts of high speed rail demand – and hence the profitability of the proposed high speed rail system - have very large error bounds. These bounds may be large enough to include the possibility that the California HSR may incur significant revenue shortfalls." This is an extraordinary statement for which we find no foundation in the Draft Report.

We strongly urge the review team to carefully consider this letter and the attached response from Cambridge Systematics as part of a constructive discourse on the ridership model.

Sincerely,

for

Roelof van Ark
Chief Executive Officer

Attachment

CAMBRIDGE
SYSTEMATICS
Transportation leadership you can trust.

June 25, 2010

Mr. Tony Daniels
Parsons Brinckerhoff
303 Second Street
Suite 700 North
San Francisco, CA 94107-1317

Re: Institute of Transportation Studies June 15, 2010 Draft Report

Dear Mr. Daniels:

Thank you for the opportunity to review and comment on the Institute of Transportation Studies' Draft Report (ITS Draft Report) entitled *Review of "Bay Area/California High-Speed Rail Ridership and Revenue Forecasting Study: Interregional Model System Development Final Report."*

Cambridge Systematics, Inc. (CS) appreciates the authors' acknowledgment in the report that our model development team "followed generally accepted professional standards in carrying out the demand modeling and analysis."

Since its founding in 1972, CS has been at the forefront of professional practice for developing, validating and applying travel demand models for use at the local, regional, state and national levels. We have also developed courses on advanced travel demand forecasting techniques, survey data collection and travel model validation for the Federal Highway Administration. A few examples of the statewide models developed by CS include models for Indiana, Massachusetts, Florida, Wisconsin, New Mexico, New Hampshire, Georgia, and California. Our experience also includes the development of inter-regional models for the Colonia Bridge linking Argentina and Uruguay, and for the Illiana corridor linking Illinois and Indiana. CS developed a national model in Italy and applied it to estimate high speed rail forecasts for the Torino-Milano-Napoli corridor proposed for TVA (Treno Alta Velocita). In addition to its work for the California High-Speed Rail Authority (the Authority), CS also studied the potential of high speed rail corridors proposed in Florida, the corridor linking Boston and Albany, and the corridor between Boston and Montreal. CS staff have also participated in the earlier high speed rail study for the Texas Triangle, a study of the economic benefits of high speed rail for the Northeast corridor, and the determinants of demand for airline travel.

As noted in the ITS Draft Report, we relied on the expert experience and judgment of our CS modeling staff, our teaming partners, the peer review team, and the client's project manager (Chuck Purvis, formerly with the Metropolitan Transportation Commission, and widely regarded as one of the foremost authorities on travel demand forecasting practice in the United States). A good model development effort relies on the collective experience and judgment of the project team in order to properly apply theory so that the resulting model meets its intended objectives. We did that.

Except for the authors' acknowledgment that the CS team followed generally accepted professional standards, we find the ITS Draft Report deficient in significant, substantive ways, and we emphatically disagree with the authors' conclusions that the model is not reliable.

The ITS Draft Report focuses on academic viewpoints and ignores what it takes to create a model for real-world application. We also conclude, as indicated by the title of the ITS Draft Report and the its content, that the authors based their arguments substantially on a review of one document without considering the many other reports and model files in the substantial project record that were provided to them. Of even more concern is the fact that the ITS Draft Report is filled with qualifications to the authors' statements, such as "appears that," "is likely that," and "implies that," yet on the basis of these statements the authors draw very definitive conclusions. The authors repeatedly state that the model contains "biases" and "inconsistencies" without further detail. They simply jump to the unfounded conclusion that the resulting model is unreliable.

In summary, in reaching a conclusion of "bias and inconsistency" in model results, the authors misunderstand how we developed the model, rely on generalizations without the experiential understanding that comes from being engaged in the model development process, and make categorical pronouncements about model results without documenting any analytical foundation.

As to the specific arguments presented in the ITS Draft Report, our more detailed responses that follow will show that, contrary to the authors' conclusions:

- The database developed in support of model development **is** representative of the traveler population;
- The methodology we employed to adjust model parameters was correct when we developed the model and remains standard practice today;
- We did not change key parameters to accord with our a priori expectations; rather, the final values for key parameters are based on empirical evidence;
- The calibrated value for the headway variable does not make the predicted shares of the travel modes overly sensitive to changes in frequency;
- The model properly accounted for a traveler's station choice options, and provides an appropriate comparison of ridership between the Altamont and Pacheco routes; and,
- Sensitivity tests show that the model performs consistently with changes in input variables and that ridership forecasts fall within reasonable bounds based on comparisons to prior forecasting work and worldwide HSR ridership experience.

We appreciate and respect the fact that individuals can disagree on elements of model development. Such differences of opinion are inevitable when developing a model. It is our contention that the broad arguments the reviewers make regarding the impact of elements about which they have a differing opinion do not bear out their conclusions. Even if we were to concede points they have made about elements of the model, and we do not, the impact on results would be immaterial to the ridership forecasts.

Contrary to the conclusions reached by the authors of the ITS Draft Report, the HSR ridership and revenue model does produce results that can inform the Authority's decisions about HSR in California, including reasonable estimates of overall ridership levels to support environmental impact analysis and decisions on service areas and system alignment. This response to the ITS Draft Report, including details on subsequent pages, along with our responses to their earlier questions presents the reasons for our confidence in this state-of-the-practice model.

CS stands firmly behind the travel demand model our experts have created.

Sincerely,

CAMBRIDGE SYSTEMATICS, INC.

Lance A. Neumann

Lance A. Neumann
President

LAN/cjf/7946-013

Detailed Response to ITS Draft Report

The following pages provide our responses to the specific criticisms made by the reviewers in the ITS Draft Report.

Issue 1. Arbitrary Division of Trips into Long and Short Trips

The ITS Draft Report claims that the adopted convention of developing separate models for short-distance (less than 100 miles) and long-distance (100 miles or more) "causes problems". We disagree with the reviewers' conclusion.

We followed a widely accepted and proven market segmentation approach of stratifying the trips, in this case, into short and long trips. During the model design phase, the decision was made to distinguish between shorter and longer trips using an approach that has been used in the past in the design of the American Travel Survey and the National Household Travel Survey. In short, stratification of trips into short-distance and long-distance trips is standard modeling practice and does not "cause problems" in model application.

As noted in our original response to the authors' questions, the distance coefficient cannot be studied in isolation from other explanatory variables. The reviewers acknowledged that travel time enters the model through the logsum variable (and, implicitly, that travel time also impacts distribution), but they stop there. Many other components enter through the logsum, including travel cost, reliability, frequency of service for nonauto modes as well as modeled traveler characteristics. In addition, other zonal characteristics, such as area type of the destination and interchange variables, are considered in the destination choice models.

Market segmentation is commonly used in the development of travel models. For example, market segmentation based on discrete variables such as households by size, households by autos owned, or number of workers is easy and straightforward, and is common in trip generation in urban models.

Market segmentation also is a commonly used practice for continuous variables. Perhaps the most widely known example is income level. Household income is a continuous variable but households are frequently stratified by income quartile or other groupings for modeling purposes.

Issue 2. Assigning all Business Trips to the Peak Period

The ITS Draft Report claims that the use of peak period service levels for all business/commute travel is "potentially a serious problem" for an interregional travel demand model. We disagree with this conclusion. In fact, this approach is reasonable and acceptable for both regional and interregional modeling.

The reviewers acknowledge that it is standard practice in model development to assign business and commute trips during the peak period. This convention simply reflects the fact that the majority of business travelers and commuters travel during the peak period and face peak-period levels of service. This pattern holds both for regional and interregional travel as the reviewers note. Therefore, using peak-period travel impedances for the business and commute travel market is a reasonable approach for a planning-level model for interregional travel.

Issue 3. Incorrect Treatment of the Panel Data Set in the Main Mode Choice Model

The ITS Draft Report states that "[i]t appears that Cambridge Systematics treated each SP response as independent and thus ignored likely serial correlation". According to the reviewers, such treatment may lead to "inflated t-statistics". Nonetheless, the reviewers conclude that "the parameter estimates are still consistent." We do not agree that the serial correlation presents an issue particularly given the reviewers' acknowledgement that "parameter estimates are still consistent". The resulting model coefficients are consistent and their relative values are correctly estimated.

Each respondent received only four stated preference choice experiments and this approach was used consistently across all market segments. Furthermore, serial correlation does not affect the relative values of the coefficients or the final model results. Moreover, the stated preference survey design and model estimation was led by one of the pioneers in the use of stated preference data for travel model estimation, Mark Bradley. He literally "wrote the book" on how to collect and use such data, and has been doing so in practice for over 20 years.

The implication of the reviewers' comment is that it is possible that some model coefficients appear to be more "statistically significant" than they should be. Even if this were the case, the coefficient values would not change. Therefore, this issue has no effect on the final models.

Issue 4. Constraining the Headway Coefficient

The ITS Draft Report notes that the relative relationship between the coefficients for headway and in-vehicle travel time (IVTT), was different during initial model estimation than during model calibration. The reviewers contend that constraining this coefficient led to "bias in the model forecast" because the headways for interregional service are much longer than for urban travel, resulting in different arrival patterns for travelers at HSR stations compared to urban transit systems. We disagree with the assertion that planned headways for California HSR are substantially different than for urban rail service. Accordingly, we believe that the treatment of sensitivity to wait times and headway is reasonable and does not introduce any biases.

The frequency of air and rail service has an impact on the time that travelers expect to wait at a terminal or a station, and on the convenience with which they are able to travel close to their desired departure time. Therefore, two separate components are used to reflect the impact of service frequency on travelers' choice behavior.

Based on observed data and expert input, average wait times of 55 minutes were established for air travelers and 15 minutes for HSR and rail travelers. Similarly, separate terminal processing times of 18 to 24 minutes were established for air travelers and 3 to 12 minutes for HSR and rail travelers. The sensitivity to wait and terminal time is twice as high as the sensitivity to travel time, consistent with the literature and practice.

Beyond this traditional "wait-time" component, the sensitivity to headways was introduced as an additional component to reflect travelers' anticipated reaction to schedule convenience.

The proposed HSR service offers a new paradigm of interregional service. The proposed HSR headways are more comparable to the best urban rail services in the U.S. rather than current intercity air and passenger rail services. In this context, the value that was used for the headway coefficient was debated during the model estimation and validation process, and a value consistent with urban rail systems was determined to be appropriate given the planned frequencies of the California HSR system.

During calibration of the original model, there was an overestimation of air trips in markets with low frequency of air service and an underestimation of air trips in markets with high-frequency air service. The merits of different potential interpretations and values for the headway coefficient were documented and discussed during the peer review process. The constraint on the coefficient was deemed to be a more reasonable approach than introducing higher alternative-specific constants that would have a greater impact on model sensitivity.

Finally, it also should be noted that the short headways and corresponding short wait times account for a small portion of the interregional air and high-speed rail travel times in this study. As a result, the impact of using different assumptions on coefficient values will be correspondingly small.

Issue 5. Absence of an Airport/Station-Choice Model

The ITS Draft Report contends that the adopted process for assigning travelers to individual airports and rail stations is "behaviorally unrealistic". The reviewers contend that the absence of a more elaborate modeling structure for airport/station choice "has a substantive impact on the comparisons of ridership for the Altamont and Pacheco corridors." We disagree with both points. Further, we believe that a more elaborate "airport/station choice model" is not critical for meeting the objectives of the model development and application work that has been conducted, nor for accurately distinguishing the ridership and revenue potential between the Altamont and Pacheco corridors.

The model currently uses a network-based method that assigns an airport or rail station to all travelers originating from a specific zone. The rule that is used is based on evaluating paths from each origin zone to alternative airports and rail stations. The attractiveness of each path reflects the access modes that are available, the level of access service they offer, and the frequency of air and rail service available at each airport and rail station.

An airport/station-choice model would allow the allocation of a proportion of travelers to different nearby airports and rail stations. However, such an approach would have, at most, a minimal effect on Altamont's ridership, and then only for a few zones in the study area.[1]

We are providing an example to demonstrate the minimal effect that station choice would have for the base Altamont alignment (with split service between San Francisco and San Jose). Figure 1 shows a map of the central Bay Area with an overlay of the base Altamont alignment.

The primary East Bay stations at Livermore and Bernal/I-680 do not experience split service in the base Altamont alignment. Therefore, residents of Alameda, Contra Costa, and Solano Counties, which comprise the primary catchment areas for the East Bay stations, have full HSR frequencies and would experience no ridership gain from including a station-choice model.

Residents of Napa, Sonoma, Marin, San Francisco, and northern San Mateo Counties (north of Redwood City) would use an HSR station in San Francisco or along the Peninsula. Given the headways that are planned for the HSR system, even with split operations in the base Altamont alignment, it would be completely illogical for a resident of, say, San Mateo to pass up the nearby Redwood City HSR station and drive 25 miles further south to San Jose (or 30 miles east to Bernal/I-680). For residents of these five counties, a station-choice model would not increase ridership from these areas.

A similar situation holds for many residents of Santa Clara County. Essentially, travelers residing in areas east of Sunnyvale are going to use either a San Jose or Warm Springs station given the HSR headways that are planned. Therefore, a station-choice model would not increase ridership from the majority of Santa Clara County.

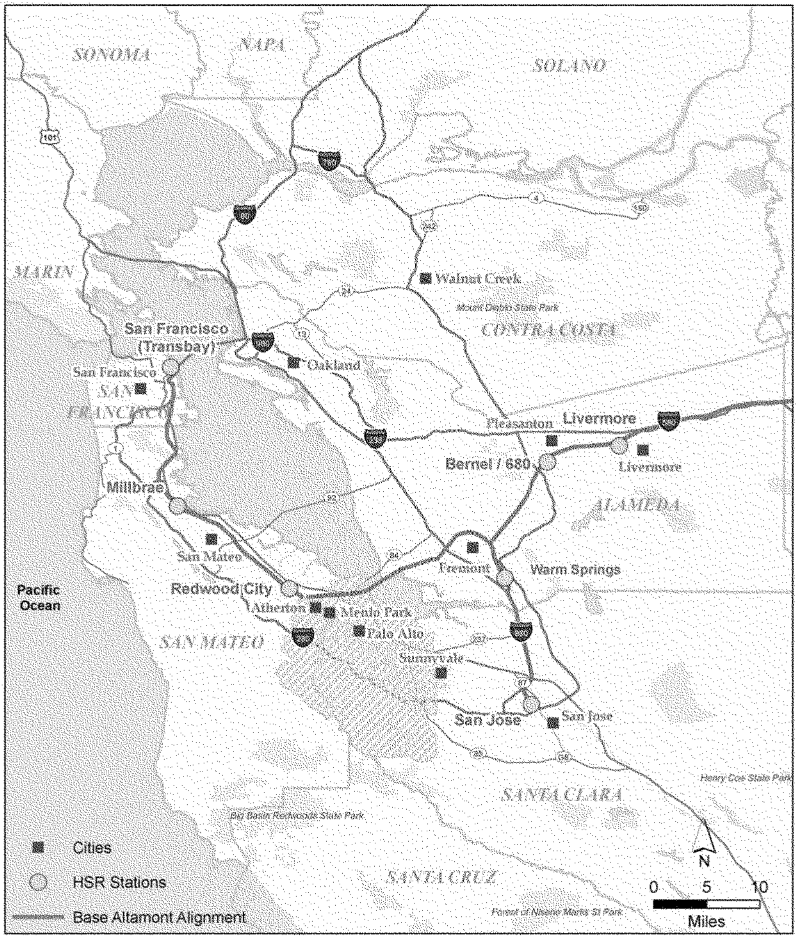
We are left with a small portion of the Bay Area between roughly Atherton and Sunnyvale that *might* achieve some small measure of ridership gain from inclusion of a station-choice model; this area is shown in blue cross-hatch in Figure 1. The ridership and revenue forecasts for the base Altamont alignment projected 555,000 annual HSR trips from this geographic area. Even in the very unlikely event that inclusion of a station-choice model would double the number of HSR trips from these communities, that would less than 0.6 percent of total projected ridership of 87.9 million for the base Altamont alignment. This level of change is inconsequential.

In summary, we disagree with the conclusion drawn, and believe that a station access model would potentially impact the results in only a small portion of the study area.

---

[1] A station-choice model would have no practical effect on overall ridership projections for the base Pacheco alignment since it has a single alignment through the Bay Area.

Figure 1 – Base Altamont Alignment



Issue 6. Calibration of the Alternative-Specific Constants

The ITS Draft Report is critical of the procedures followed for calibrating mode specific constants from choice-based sampling, and claims that these procedures were reportedly found to be "wrong" in a paper written by Bierlaire in 2008, after development of the model between 2005 and 2007. We do not agree with the statement made by the reviewers that the referenced paper is the definitive source on this question. We relied on widely accepted practice at the time, the approach we followed continues to be standard and accepted practice, and the procedure referenced by the review team from the Bierlaire paper has not become accepted practice.

In our view, this point of criticism reflects an example of a classic academic debate that will go on for some time. As with most academic work that breaks new conceptual and analytical ground, the theoretical debate will continue before reaching a consensus which will eventually translate the insights from the new theory into accepted practice.

Choice-based sampling offers a proven, efficient method to collect surveys from key market segments of interest such as current air passengers and rail riders. A long-established and widely accepted procedure has been used to calibrate the alternative-specific constants to account for the impact of choice-based sampling. With the exception of the alternative-specific constants that need to be adjusted, the coefficients of the explanatory policy-sensitive variables are unbiased and consistent.

Consequently, we disagree with the argument that the method used to adjust the alternative-specific constants resulted in biased and inconsistent model parameters.

Issue 7. Excessive Constraining of Coefficients

There is not "excessive constraining of coefficients in the final models."

To address this issue, we need to distinguish between the necessary adjustments made to modal and regional constants during model validation versus the few constraints that we imposed on explanatory variables during model estimation.

The rationale to constrain selected model coefficients reflects cases where empirical results from survey-based model estimation do not agree with other sources of empirical data. These data sources include observed air and rail ridership and market shares, interregional or local travel flows, or highway traffic counts. Contrary to the reviewers' suggestion of the existence of clear and straightforward "empirical evidence," model estimation results are often in conflict with the other sources of empirical data. We did not override a body of overwhelming empirical evidence but exercised reasonable professional judgment to rectify conflicts from different data sources.

During model validation we made adjustments to one set of modal constants and one set of regional constants. First, the modal constants were constrained during model validation to adjust for choice-based sampling and to reflect the existing market shares by each mode. Second, the airport-to-airport regional constants were used to more accurately reflect the inter-regional flows from air travelers, a key market segment for this study.

There were only a few selected instances in the main mode choice models where constraints were considered and implemented for a few explanatory variables:[2]

- In the long-distance models, there are 13 coefficients in the business/commute model and 11 coefficients in the recreational/other model that reflect policy-sensitive explanatory variables. Only 2 out of the 24 coefficients were constrained, including the headway coefficient (already discussed under item 4) and the reliability coefficient.
- In the case of the short-distance market, a market that is less important to high-speed rail ridership, a total of only 7 coefficients were constrained out of a total of 25 coefficients for policy-sensitive explanatory variables.

In summary, we believe that the extent of constraining has been very modest. In the few cases where we faced the dilemma of whether to accept the model estimation results, we used judgment very selectively to develop a more credible and reliable model using other sources of empirical evidence and accepted practice. At no point was constraining undertaken to match "modeler's beliefs" as stated by the reviewers.

---

[2] In our June 8, 2010 memorandum to Samer Madanat, we discussed in detail our rationale for constraining the headway and the reliability coefficients in the long-distance models and for imposing a few constraints in the short distance models.

Appendix D

ITS Responses to Cambridge Systematics Comments

June 30, 2010

Appendix D: Response to CS comments on Draft Report

David Brownstone, Mark Hansen and Samer Madanat

June 30, 2010

This Appendix includes our responses to the comments offered by Cambridge Systematics to our draft report. These comments were included in a document attached to a letter dated June 25, 2010, from Dr. Lance Neumann to Mr. Tony Daniels.

Introduction: Response to Dr. Neumann's letter

The points made in Dr. Neumann's letter are, for the most part, a summary of the more detailed comments made in the document and therefore will not be addressed separately, with the exception of the following, which merit a direct response:

1. Our report does not make "categorical pronouncements about model results without documenting any analytical foundation"; in fact, we provide numerous references to back our conclusion about bias and inconsistency.
2. The database developed in support of model development is **not** representative of the traveler population; while the RP data set used comes from a random sample representative of the traveler population, the SP data set comes from a choice-based sample with significant over-sampling of air and rail travelers. This is amply documented in CS's own reports, and is acknowledged in CS's answers to our questions. Dr. Neumann's assertion is in direct contradiction to these reports and answers.

Issue 1: Division of Trips into Long and Short Trips

Cambridge Systematics' comment to this issue does not address our point. We did not question the use of market segmentation for other variables. But market segmentation of trips into long and short trips means that there are two different sets of parameters for short (less than 100 mile) and long (more than 100 miles) trips. Thus, travel forecasts will incur a sudden change as the trip distance increases from 99.9 miles to 100.1 miles, which is behaviorally unrealistic.

The simple way to definitely answer this point is for Cambridge Systematics to perform forecasts for trip distances in the neighborhood of 100 miles and test whether there are abrupt changes.

Issue 2: Assignment of all Business trips to the Peak Period

Cambridge Systematics' comment indicates that they misunderstood this point in our draft report. We did not dispute the fact that most business trips occur during the peak period **in urban or intra-regional travel.** But that is not the case in **inter-regional travel.** In California, over 25% of business trips occur in the off-peak (California Travel Survey)! Therefore, the procedure used by CS is incorrect and leads to introduction of measurement errors, and thus biased and inconsistent parameter estimates.

Issue 3: Repeated SP choice treatment
While we have great respect for Mark Bradley, he did not literally "write the book" on SP methods. The key book on this subject is Stated Choice Methods by Louviere, Hensher, and Swait (Cambridge University Press, 2000). Although there are very strong assumptions that lead to the parameter estimates still being consistent, it is trivial to show that the standard errors from maximum likelihood estimation assuming independence across repeated choice experiments will be downward biased. This leads to inflated t-statistics and makes it impossible to assess the precision of the models' parameter estimates and forecasts.

Once more realistic assumptions are made about the sources of correlations between repeated SP choices, then models estimated ignoring these correlations are inconsistent. Although there are examples where the magnitude of the inconsistency is small, there are also many examples where the biases are as large as 100 percent.[1]

Issue 4: Constraining the Headway Coefficient
We do not address the question of waiting and terminal time in the report, but only the sensitivity to headways. We do, however, find it implausible that an air passenger would spend a total of 73 to 79 minutes at the airport when taking an intrastate flight, as is apparently assumed in the study.

Regarding headway sensitivity, CS argues that HSR service "offers a new paradigm of interregional service" … "comparable to the best urban rail services." It is a matter of speculation whether, in this new paradigm, travelers will simply show up at rail stations and wait for the next available train, as the CS model implicitly assumes. However, it is highly implausible that air travelers will behave in this manner, as the model also assumes.

CS notes that the headway coefficient for air service was adjusted based on results in the calibration step, which showed that the original model underestimated air trips in high frequency markets and overestimated them in low frequency markets. There are many ways that the model could be adjusted to correct this; we do not believe that the method chosen, which contradicts both common sense and empirical evidence, was the appropriate one.

Finally, CS claims that the value of this coefficient does not make much difference anyway, since times associated with headways contribute little to overall travel times. However, the vast majority of the airport headways reported in the Level of Service Report (Tables 2.22 and 2.23) are over 30 minutes. This is not a small fraction of the overall travel times for air trips. Indeed, the importance of the assumed coefficient is evident in the fact that CS was able to correct the under- and over-estimates of air trips by adjusting it.

---

[1] See for example Hensher, D.A. (2001). The sensitivity of the valuation of travel time savings to the specification of the unobserved effects. Transportation Research E, 37, pp. 139 – 142. Also see Brownstone, D., D.S. Bunch, and K. Train (2000). Joint mixed logit models of stated and revealed preferences for alternative-fueled vehicles. Transportation Research B, 34, pp. 315-338.

Issue 5: Absence of an Airport/Station-Choice Model
We appreciate the efforts taken to assess the magnitude of the errors resulting from the failure to model station choice. Based on that analysis, we have acknowledged in the report that correctly modeling station choice is unlikely to totally eliminate the projected ridership difference between the Pacheco and Altamont alignments.

We do, however, believe that the region for which travelers have a meaningful choice of high speed rail stations is larger than the CS analysis assumes. For example, the driving time from downtown San Jose to the Bernal/I-680 is 34 minutes in the off-peak and 45 minutes in the off-peak, according to Google Maps. The high speed rail travel time for this trip would be 17 minutes, according to the Level of Service Report. Thus, in the off-peak, there is a 17-minute travel time penalty for a traveler from San Jose accessing the HSR service at Bernal/I-680 instead of San Jose. Travelers may well be willing to accept this penalty for a more convenient schedule, particularly given the high weight attached to service headway assumed in the model (see Issue 4 discussion). Station choice would be even more important for San Jose travelers if they could access the merged line at a point closer to San Jose, such as Fremont.

Finally, we note that the level of service assumptions state (p. 2-29) that airport headways from San Francisco to Los Angeles "are assumed to be half the quoted headway because most travelers have more than one airport choice and therefore twice as many air trips to choose from." Thus CS recognizes that airport choice affects service (albeit in an ad hoc way), but ignores this effect in the case of HSR station choice.

Issue 6: Calibration of the Alternative-Specific Constants
The problem we identified here is not the subject of an academic debate. The Bierlaire, Bolduc and McFadden paper clearly shows that the Koppelman and Garrow procedure is wrong. Neither Koppelman nor Garrow have disputed this, so there is no debate. While it is true that many applications of discrete choice models use choice-based samples with calibrated alternative-specific constants, this procedure is only correct in the case of MNL choice models. Even if this procedure is followed with Nested Logit models and is "standard practice," that doesn't make it legitimate. The only options for using Nested Logit models with endogenous samples are the Manski-Lerman WESMLE estimator, Imbens'[2] generalized method of moments estimator, and the more recent Bierlaire et. al. estimator.

Issue 7: Constraining coefficients
We are aware that it is sometimes necessary to reconcile conflicting results while calibrating models fit from imperfect or small samples, and we did not intend to suggest that Cambridge Systematics was deliberately trying to bias the results while dealing with this problem. Ideally multiple source of information should be combined in a disciplined

---

[2] Imbens, G., 1992. An efficient method of moments estimator for discrete choice models with choice-based sampling. Econometrica 60 (5), pp. 1187–1214.

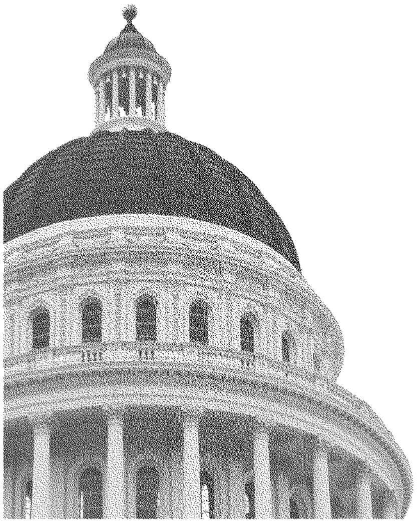
way using either Generalized Method of Moments as in Imbens (footnote 2 below) or formal Bayesian analysis. The key problem of simply constraining coefficients is that it is very difficult to quantify the relative importance of "outside information" and that coming from the sample. In any case, constraining coefficients will always bias the standard errors of the remaining estimated coefficients.

CALIFORNIA STATE AUDITOR

High-Speed Rail Authority:

It Risks Delays or an Incomplete System Because of Inadequate Planning, Weak Oversight, and Lax Contract Management

April 2010 Report 2009-106



Independent NONPARTISAN TRANSPARENT Accountability

The first five copies of each California State Auditor report are free. Additional copies are $3 each, payable by check or money order. You can obtain reports by contacting the Bureau of State Audits at the following address:

California State Auditor
Bureau of State Audits
555 Capitol Mall, Suite 300
Sacramento, California 95814
916.445.0255 or TTY 916.445.0033

OR

This report is also available on the World Wide Web http://www.bsa.ca.gov

The California State Auditor is pleased to announce the availability of an on-line subscription service. For information on how to subscribe, please contact the Information Technology Unit at 916.445.0255, ext. 456, or visit our Web site at www.bsa.ca.gov.

Alternate format reports available upon request.

Permission is granted to reproduce reports.

For questions regarding the contents of this report,
please contact Margarita Fernández, Chief of Public Affairs, at 916.445.0255.

Elaine M. Howle
State Auditor
Doug Cordiner
Chief Deputy

CALIFORNIA STATE AUDITOR
Bureau of State Audits

555 Capitol Mall, Suite 300 Sacramento, CA 95814 916.445.0255 916.327.0019 fax www.bsa.ca.gov

April 29, 2010 2009-106

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the California State Auditor presents its audit report concerning the High-Speed Rail Authority's (Authority) readiness to manage funds authorized for building the high-speed rail network (program) in California, including the $9 billion in general obligation bonds the voters authorized in November 2008.

This report concludes that the High-Speed Rail Authority has not adequately planned for the future development of the program. For example, in its 2009 business plan, the Authority outlined the sources from which it expected to receive the funds necessary to meet the estimated $42.6 billion cost of the program. The Authority stated it would need $17 billion to $19 billion from the federal government; however, the Authority has received a federal commitment of only $2.25 billion. In addition, the business plan does not make clear which government would be responsible for a revenue guarantee needed to attract private investors, or how much it might cost. The program risks significant delays without more well-developed plans for obtaining funds.

The Authority also needs to improve some administrative practices. State law requires the Authority to establish an independent peer review group (review group) to review the Authority's plans, but only five of the eight members have been appointed. Thus, the Authority cannot fully benefit from the expertise the review group would provide. Additionally, the Authority does not currently categorize and track expenditures for administration, which state law limits to 2.5 percent ($225 million) of the $9 billion in bond funds authorized. Unless it tracks these funds and develops long-range plans for spending them, it risks running out of them prematurely.

Finally, a primary tool for monitoring the program has been inadequate and the Authority has not implemented effective controls over invoice processing and in some cases has paid for work that was not part of contracts or work plans. Three recent monthly progress reports the contractor managing the program (Program Manager) submitted to the Authority contained inconsistent information and did not compare actions performed and products created to what contractors promised to complete in their work plans. Additionally, the Authority paid at least $4 million of invoices for which it had no evidence from the Program Manager that the contractors had performed the work invoiced. The Authority also paid more than $268,000 for work that was not included in contractors' work plans, impairing its ability to measure performance against those plans, and it misused public funds when it paid $46,000 for furniture not covered in the contract with its Program Manager.

Respectfully submitted,

Elaine M. Howle

ELAINE M. HOWLE, CPA
State Auditor

Contents

Summary 1

Introduction 5

Audit Results
The High-Speed Rail Authority's Planning Lacks Details 17

The Authority Needs to Improve Oversight and Administrative Controls 26

Contract Monitoring and Internal Controls Do Not Provide Sufficient Accountability 31

Recommendations 39

Response to the Audit
High-Speed Rail Authority 41

California State Auditor's Comments on the Response From the High-Speed Rail Authority 47

Summary

Results in Brief

The Legislature created the High-Speed Rail Authority (Authority) in 1996. State law charges the nine-member Authority with the development and implementation of intercity, high-speed rail service. According to state law, the entire network, from Sacramento to San Diego, is intended to be complete by 2020. In November 2008 voters approved the Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century (Proposition 1A), providing $9 billion for construction of a high-speed rail network (program).

Although the Authority's 2009 business plan contains the elements required by the Legislature, it lacks detail regarding how it proposes to finance the program. For example, the Authority estimates it needs $17 billion to $19 billion in federal grants. The business plan, however, specifies only $4.7 billion in possible funds from the American Recovery and Reinvestment Act of 2009 (Recovery Act) and a few other small federal grants. According to its communications director, the Authority has no definite commitments from the federal government other than Recovery Act funding, which actually amounted to $2.25 billion when awards were announced in January 2010. The program risks significant delays without more well-developed plans for obtaining or replacing federal funds.

Further, the Authority's plan relies heavily on federal funds to leverage state bond dollars through 2013. Proposition 1A bond funds may be used to support only up to 50 percent of the total cost of construction of each corridor of the program. The remaining 50 percent must come from other funding sources. Thus, the award of up to $2.25 billion in Recovery Act funds allows for the use of an equal amount of state bond funds for construction, for a total of about $4.5 billion. However, the Authority's spending plan includes almost $12 billion in federal and state funds through 2013, more than 2.5 times what is now available. Additionally, creating a viable funding plan may be a challenge as matched funding for the least expensive corridor eligible for Recovery Act funds—Los Angeles to Anaheim—amounts to $4.5 billion, while projected costs total $5.5 billion. Barring additional non-Proposition 1A funding, the Authority may have to settle for a plan covering less than a complete corridor. The Authority must decide relatively quickly which corridors will receive federal funds. Its chief deputy director says it must prepare funding plans by spring 2011 in order to meet federal deadlines.

Audit Highlights...

Our review of the High-Speed Rail Authority (Authority) revealed the following.

- *The Authority's 2009 business plan estimates it needs $17 billion to $19 billion in federal funds. However, the Authority has no federal commitments beyond $2.25 billion from the American Recovery and Reinvestment Act of 2009 (Recovery Act), and other potential federal programs are small.*
- *The Authority's plan for spending includes almost $12 billion in federal and state funds through 2013, more than 2.5 times what is now available.*
- *The Authority does not have a system in place to track expenditures according to categories established by the Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century, its largest source of committed funding.*
- *The Authority has not completed some systems needed to administer Recovery Act funds, for example, a system to track jobs created and saved.*
- *Some monthly progress reports, issued by the Authority's contracted Program Manager to provide a summary of program status, contain inconsistent and inaccurate information.*
- *Authority staff paid at least $4 million of invoices from regional contractors received after December 2008, without having documented written notification that the Program Manager had reviewed and approved the invoices for payment.*

continued on next page...

» *The Authority paid contractors more than $268,000 for services performed outside of the contractors' work plans and purchased $46,000 in furniture for one of its contractor's use, based on an oral agreement contradicted by a later written contract.*

The Authority's plans for private financing include a revenue guarantee that needs further specification, but it is working to improve its approach to risk management. According to the 2009 business plan, the Authority expects private investors to supply $10 billion to $12 billion, but also indicates these investors will require a minimum revenue guarantee from a public entity. The Authority's financial planning consultant has addressed concerns raised by the Legislative Analyst's Office that this might be a prohibited operating subsidy; however, details on how much the revenue guarantee may cost or who might pay it are scant. Additionally, the 2009 business plan provided little detail on how the Authority would manage risk in general, but the Authority is planning to improve risk management for the program.

The Authority also needs to improve its oversight and administrative controls. State law creates a peer review group (review group) to assess the Authority's plans. Most significantly, the review group is to issue an analysis and evaluation of the viability of the Authority's funding plan for each corridor of the program. As of February 2010, however, only five of the group's eight members had been appointed, limiting the expertise available to the Authority. Moreover, according to our legal counsel, the review group is likely subject to the Bagley-Keene Open Meeting Act (Meeting Act), although the Authority has received informal advice to the contrary. Nevertheless, the review group's work could be voided if this issue is not resolved.

Additionally, the Authority lacks systems to comply with state law regarding bond funds. According to state law, only up to 2.5 percent ($225 million) of its portion of bond funds from Proposition 1A may be used for administration and only 10 percent ($900 million) may be used for planning, environmental review, and preliminary engineering (preconstruction tasks). According to its fiscal officer, the Authority is unsure how it will classify the expenditure of bond proceeds and does not have a system for tracking expenditures by category. Until such a process is in place, the authority cannot report accurately on its expenditures and risks running out of bond funds available for administration or preconstruction task costs. This is a serious problem because it is set to have spent $168 million of the $1.1 billion in bond proceeds authorized for these purposes by the end of fiscal year 2009–10.

Contractors accounted for 95 percent of the program's total expenditures over the past three fiscal years. Although the Authority generally followed state requirements for awarding contracts, its processes for monitoring the performance and accountability of its contractors—especially the entity that has been contracted to manage the program (Program Manager)—are inadequate. The Program Manager's monthly progress reports, a primary document summarizing monthly progress on a regional and program level, have contained inaccurate and inconsistent information. For example, the July 2009 report indicated that the regional contractor working on the Los Angeles-to-Anaheim corridor had completed 81 percent of planned hours but had spent 230 percent of planned dollars. In addition, although the progress reports described actions taken or products created, they did not compare those actions and products to what the contractors promised to complete in their work plans. The work plan for a consultant the Authority recently hired to oversee the Program Manager does not include a review of the monthly reports.

The Authority does not generally ensure that invoices reflect work performed by contractors. According to the chief deputy director, the Program Manager should review each regional contractor's invoice to ensure that the work claimed actually has been performed and then notify Authority staff whether the invoice should be paid. The chief deputy director further stated that staff should not pay invoices without notifications. However, Authority staff paid at least $4 million of invoices from regional contractors received after December 2008—when the Authority's fiscal officer says she was informed that such notifications were required—without documenting notification. The Authority only recently adopted written policies and procedures related to invoice payment. However, those policies and procedures do not adequately describe its controls or their implementation.

Finally, the Authority made some payments that did not reflect the terms of its agreements, risking its ability to hold contractors accountable for their performance. For example, it spent $46,000 on furniture for its Program Manager's use based on an oral agreement, despite the fact that its written contract expressly states that oral agreements not incorporated in the written contract are not binding. The written contract requires the Program Manager to provide its own furniture, equipment, and systems. Additionally, the Authority paid a regional contractor more than $194,000 to subcontract for tasks not included in the regional contractor's work plan and paid the Program Manager $53,000 for work on Recovery Act applications, which was also outside the Program Manager's work plan.

Recommendations

To ensure that it can respond adequately to funding levels that may vary from its 2009 business plan, the Authority should develop and publish alternative funding scenarios that reflect the possibility of reduced or delayed funding from planned sources. These scenarios should detail the implications of variations in the level or timing of funding for the program and its schedule.

To plan adequately for private investment, the Authority should further specify the potential cost of revenue guarantees and who would pay for them.

In order to respond effectively to circumstances that could significantly delay or halt the program, the Authority should ensure that it implements planned actions related to risk management.

To avert possible legal challenges, the Authority should ensure that the review group adheres to the Meeting Act or seek a formal opinion from the Office of the Attorney General regarding whether the review group is subject to this act.

To ensure that it does not run out of funds for administrative and preconstruction tasks prematurely, the Authority should track expenditures for these activities and develop a long-term spending plan for them.

To ensure that Authority staff receive relevant information on the program's status, they should amend the program management oversight consultant's work plan to include a critical review of progress reports for accuracy and consistency. Authority staff also should ensure that the Program Manager revises its progress reports to include information on the status of promised products and services.

To determine if it is paying invoices that accurately reflect work performed, the Authority should ensure that staff adhere to controls for processing invoices. For example, staff should not pay invoices from regional contractors until they receive notification from the Program Manager that the work billed has been performed, or until they have conducted an independent verification.

To ensure that it does not misuse public funds and can hold contractors accountable, the Authority should adhere to the conditions of its contracts and work plans, and make any amendments or modifications to contracts or work plans in writing.

Agency Comments

The Authority raised concerns about the report title but agreed with our recommendations and outlined actions it is taking or plans to take to address them.

Introduction

Background

The Legislature created the High-Speed Rail Authority (Authority) in 1996. Among other duties, state law charges it with the development and implementation of intercity, high-speed rail service that is fully integrated with existing intercity rail and bus networks. The Authority's nine members, described in the text box, have exclusive responsibility for the planning, construction, and implementation of a high-speed passenger train network, with trains traveling at speeds exceeding 125 miles per hour. In November 2008 voters approved the Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century (Proposition 1A), which provides $9 billion from the sale of general obligation bonds for construction of a high-speed rail network (program) and $950 million from the sale of general obligation bonds for improvements to other rail systems connecting to it. According to the state law that placed Proposition 1A on the ballot, the entire network, from Sacramento to San Diego, is intended to be completed by 2020. Further, the law stipulates that a person using nonstop service will be able to travel between San Francisco and Los Angeles in two hours and 40 minutes, or less. According to the Authority's latest business plan, trains must travel at speeds up to 220 miles per hour during parts of the trip to reach this goal.

The High-Speed Rail Authority's Membership

The High-Speed Rail Authority (Authority) consists of nine members appointed by the following:

- The governor—five
- The Senate on Rules Committee—two
- The Speaker of the Assembly—two

Authority members serve for terms of four years. There is no limit on the number of terms they may serve. The Authority elects a chair from among its members who serves for one year.

Authority members receive $100 for each day they attend to Authority business, up to $500 per month, plus actual travel expenses.

Source: California Public Utilities Code.

Beginning in 1996, the State issued several plans and reports to develop and construct the program in California. In 1996 the Authority's predecessor, the Intercity High-Speed Rail Commission, issued a summary report and action plan concluding that a high-speed rail system is feasible. In 2000 the Authority released its first business plan, and in 2004 it released a draft program-level environmental impact report and environmental impact statement to describe the proposed program's environmental effects on a statewide scale. In 2005 it certified[1] the program-level environmental impact report and statement.

---

[1] An agency certifies a final environmental impact report by confirming that the report complies with the California Environmental Quality Act, was reviewed by the agency's decision-making body before approving the project, and reflects the agency's independent judgment and analysis.

In 2008 the Authority certified an additional environmental impact report and statement focused on the section of the program linking the San Francisco Bay Area and the Central Valley. However, in August 2009 a court determined that the Authority needed to make changes to the 2008 report in several areas and to recirculate it. Areas needing revision include a description of the track alignment between San Jose and Gilroy and the Authority's finding on vibration impacts. Consequently, the Authority rescinded its certification in December 2009 and in March 2010 circulated a revised environmental impact report. The Authority released revised business plans in November 2008 and December 2009.

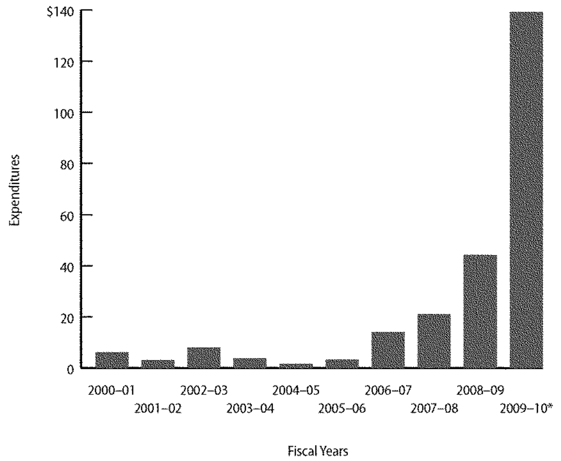
Until recently, the Authority operated with a very small staff. State law requires it to appoint an executive director to administer its affairs. The executive director may hire staff as allowed by the Authority. Between fiscal years 2000–01 and 2006–07, the Authority operated with three to five staff members, including the executive director. The Authority gained additional positions and increased its staff to seven in fiscal year 2007–08 and nine in fiscal year 2008–09. As of January 2010, it has nine full-time staff members and one half-time staff member.

In June 2009 the Authority contracted for an organizational assessment. The assessment, published in December 2009, was conducted to facilitate the Authority's shift from a planning entity to one focused on implementation. The assessment includes an organizational chart proposing 37 total staff plus administrative/office tech positions. According to the chief deputy director, in September 2009 the Authority requested funding for 35 new positions. The proposed 2010–11 Governor's Budget includes an additional 27 positions for the Authority. New proposed staff include a chief financial officer, a chief program manager, regional directors, and transportation and environmental planners.

As part of increasing the size of its staff, the Authority hired a deputy director for communications, policy, and public outreach (communications director) in 2009 to bring outreach activities under its direct control, to streamline the outreach program, and to increase the quantity and quality of outreach activities. An additional goal, according to the communications director, is to keep the Authority's members more informed of staff activities. Consequently, at the request of the Authority chair, the communications director initiated a weekly report issued to Authority members in August 2009 that provides high-level information on the staff's progress and is posted to the Authority's Web site. The Authority has made a number of other documents available on its Web site, including agendas, minutes, and other materials related to meetings, business plans, economic studies, and information relevant to specific sections of the program—for example, the corridor between Los Angeles and Anaheim. In addition, the Authority posts its budget appropriation on the main page of its Web site and a detailed budget within the meeting materials on its Web site. Finally, the Authority is using electronic and social media to communicate with the public, specifically an e-mail list, Twitter, and Posterous.

As the Authority's staff has grown, so have its expenditures. As Figure 1 demonstrates, it spent $6 million in fiscal year 2000–01. In contrast, its appropriated budget for fiscal year 2009–10 is $139.1 million, and the 2010–11 Governor's Budget proposes expenditures totaling $958.2 million as of January 2010. Proposition 1A funds would cover $583.2 million of this amount—$50.4 million for administration and $532.8 million for capital costs—and federal funds would provide $375 million for capital costs.

Figure 1
High-Speed Rail Authority Expenditures
Fiscal Years 2000–01 to 2009–10
(In Millions)



Sources: Governor's budgets for fiscal years 2002–03 through 2010–11, State Controller's Office expenditure reports, and High-Speed Rail Authority (Authority) payment logs.

Note: The fiscal year 2010–11 Governor's Budget proposes $958.2 million for the Authority as of January 2010.

* Estimated expenditures.

Proposition 1A

In 2008 California voters approved Proposition 1A, which provides funding for development of the program. Proposition 1A authorizes the State to sell $9 billion in general obligation bonds for planning, engineering, and construction of the network and an additional $950 million in general obligation bonds for capital improvements to intercity, urban, and commuter rail systems connecting to it. The Authority is to administer the $9 billion, while the California Transportation Commission is to allocate the $950 million for connecting systems.

The proposition sets additional limits on how the Authority can request and spend its bond funds. These include a 2.5 percent ($225 million) cap on administrative costs—which the Legislature may increase up to 5 percent ($450 million). The proposition also limits the overall amount of funds the Authority may spend on environmental studies, planning, and preliminary engineering activities to 10 percent of its total bond funds ($900 million). The Authority also must submit a detailed funding plan to a peer review group, the director of the Department of Finance (Finance), the policy committees with jurisdiction over transportation, and the fiscal committees in both houses of the Legislature, no later than 90 days before submitting initial appropriation requests for capital costs for each corridor. Further, before committing funding for expenditures on construction and real property and equipment acquisition on each corridor or portion of a corridor, the Authority must submit a detailed funding plan—separate from the funding plan described earlier—to the director of Finance and the Joint Legislative Budget Committee. The director of Finance must determine whether the plan is likely to be successfully implemented as proposed.[2] Bond proceeds may not be used to support more than 50 percent of the total cost of construction for each corridor or usable segment of the program; the remainder must come from other funding sources.[3] However, the Authority need not submit either funding plan before using up to 7.5 percent ($675 million) for environmental studies, planning, and preliminary engineering activities, as well as for acquisition of rights-of-way, improvements to rights-of-way, and relocation assistance. These costs are also not subject to the 50 percent limitation. As of March 1, 2010, the State had issued $258.4 million in Proposition 1A bonds.

---

[2] State law requires two different funding plans, one before requesting appropriation of certain bond funds and one before committing those funds for expenditure. Although the requirements for both plans are similar in most respects, state law requires that the plan submitted before committing bond funds for expenditure include one or more reports, prepared by independent firms, that indicate, among other things, that construction can be completed as proposed and that planned train service will not require an operating subsidy.

[3] According to state law, a corridor is a portion of the high-speed rail system, and a usable segment is a portion of a corridor that includes at least two stations.

The High-Speed Rail Network

The proposed program would run from Sacramento and San Francisco in the north to San Diego in the south. Figure 2 on the following page depicts the proposed routes for the program. According to the Authority's 2009 business plan, phase one comprises six corridors between San Francisco and Anaheim:

- San Francisco to San Jose
- San Jose to Merced
- Merced to Bakersfield
- Bakersfield to Palmdale
- Palmdale to Los Angeles
- Los Angeles to Anaheim

Although state law sets 2020 as the intended date to complete the entire system between Sacramento and San Diego, the Authority says that ideally it plans to complete phase one of the program by 2020. Figure 3 on page 11 shows the Authority's timeline, as presented in its 2009 business plan. According to the timeline, the Authority plans to complete environmental and preliminary engineering work on the Los Angeles-to-Anaheim corridor by the end of fiscal year 2010–11 and expects to complete construction of phase one by the beginning of fiscal year 2019–20. Later in the report, we discuss several issues that raise doubts about the Authority's ability to meet these goals.

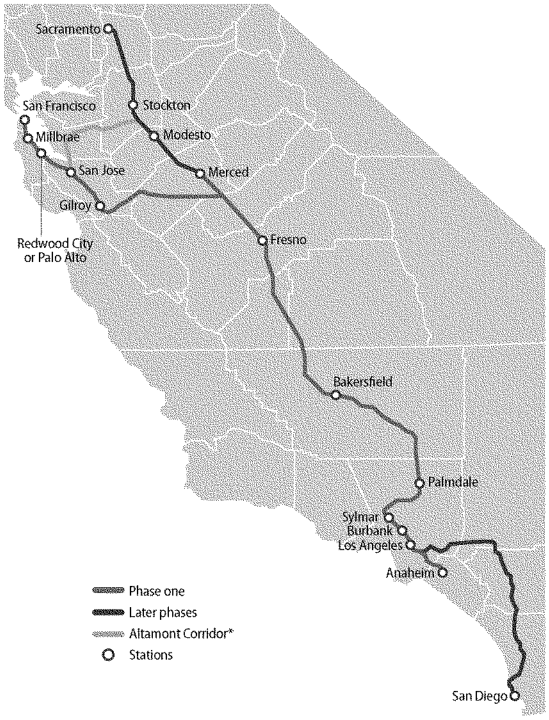
Projected Costs and Committed Funding

In December 2009 the Authority estimated that the total cost for phase one of the program would be $35.7 billion in 2009 dollars. This represents an increase of $2.1 billion over the costs it projected in 2008. The increase is almost entirely attributable to an increase in estimated costs for the Los Angeles-to-Anaheim corridor, which jumped from $2.2 billion in 2008 to $4.6 billion in 2009.[4] The Authority also estimated phase one would cost $42.6 billion in "year-of-expenditure" dollars. It calculates year-of-expenditure dollars by distributing and escalating costs based on the year of planned expenditure. In this way, it incorporates inflation, which makes up about 80 percent of the difference in costs, into its projections. The Authority believes this method provides a more credible view of program costs and therefore uses it throughout its discussion of expenditures and revenues.

---

[4] The Authority estimates that the Los Angeles-to-Anaheim corridor will cost $5.5 billion in year-of-expenditure dollars.

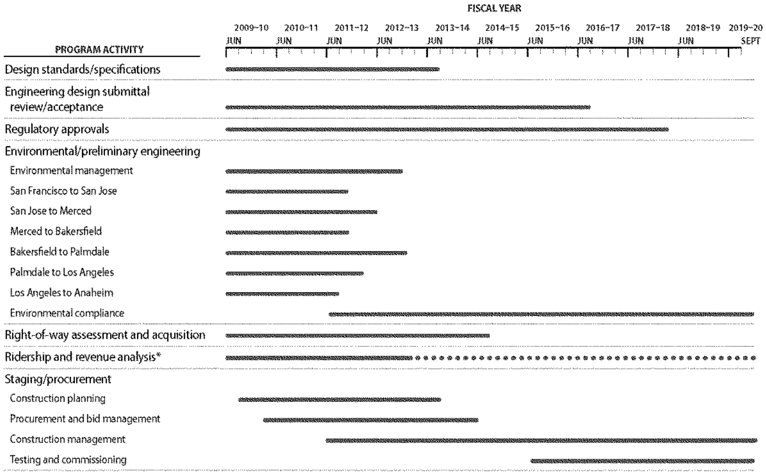
Figure 2
Proposed Routes for the High-Speed Rail Network



Source: High-Speed Rail Authority (Authority).

* This corridor relates to a rail project separate from the high-speed rail network that the Authority is pursuing with local and regional transit agencies.

Figure 3
Projected Timeline of Program Activities for Phase One of the High-Speed Rail Network



Source: High-Speed Rail Authority, 2009 business plan.

Note: The following program activities extend through the entire length of the program:

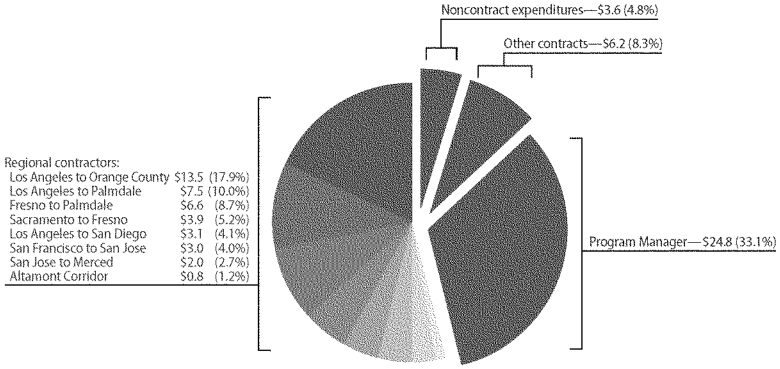
- Program management and controls
- Public education and communication
- Engineering criteria and design management
- Risk management

* According to the director of the Authority's program management team, the solid line represents planned work for updating relevant ridership and revenue projections; the dotted line represents likely ongoing review of these projections.

As of February 2010, the Authority had about $11.6 billion of funding committed for the program: $9 billion in state bond funds, $2.25 billion in federal funds from the American Recovery and Reinvestment Act of 2009 (Recovery Act), and $336 million in other public funding. Although not required to, the Authority stated in its Recovery Act applications that the State would match federal participation on a dollar-for-dollar basis, using state, local, and private funds. The Authority submitted seven applications to the Federal Railroad Administration (Railroad Administration)—three for planning and four for construction—for a total of $4.7 billion in Recovery Act funds. In January 2010 the Railroad Administration announced that it had approved five of the Authority's applications: one for planning and four for construction, totaling $2.25 billion. As of March 2010, the chief deputy director said the Authority expected to receive $194 million in planning funds but is continuing to work with the Railroad Administration to determine how to distribute the remainder of the Recovery Act grant among the four approved construction applications. We further discuss issues related to the program's funding plan in the Audit Results section of this report.

In recent years, most of the Authority's cash expenditures were related to contracts for architectural and engineering services. As Figure 4 demonstrates, for fiscal years 2006–07 through 2008–09, about 87 percent of its $75 million in cash expenditures related to payments to private firms with contracts exceeding $20 million (major contracts). The largest single recipient of Authority funds, with a $199 million contract extending more than six years, was the contractor that serves as the Authority's program management team (Program Manager). It provides day-to-day management and directs the contractors working on specific corridors.

Figure 4
Payments Made by the High-Speed Rail Authority by Type and Region
Fiscal Years 2006–07 Through 2008–09
(Dollars in Millions)



Sources: High-Speed Rail Authority payment logs.

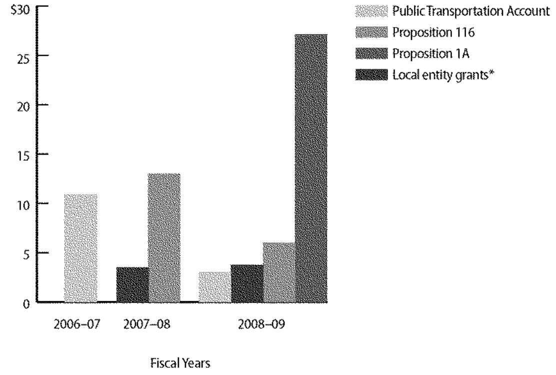
Note: The total value of each of the regional contracts and the Program Manager's contract is more than $20 million. These are multiyear contracts that extend beyond fiscal year 2008–09.

An additional 8.3 percent of the Authority's cash expenditures between fiscal years 2006–07 and 2008–09 went to other contracts, including those for financial planning, legal assistance, and visual simulations of the train system. Only 4.8 percent of the Authority's cash expenditures during these three years were for other costs such as those for facilities, travel, interdepartmental agreements, and compensation of Authority staff.

The Authority recently contracted with a consultant for program management oversight. This consultant is to review and monitor the Program Manager's work to ensure that it is proceeding on schedule and in conformance with approved work plans. This structure, one contractor reviewing the work of another contractor, is not unique to the Authority. The California Department of Transportation and the Federal Transit Administration have used similar structures.

Between fiscal years 2006–07 and 2008–09, the Authority paid its major contractors from three state funds and two local grants. Figure 5 outlines the amount of funding from each source. State funds came from the Public Transportation Account, which receives its funding from retail sales and use taxes on gasoline; the Clean Air and Transportation Improvement Fund, which receives its funding from the sale of general obligation bonds approved by voters in 1990; and Proposition 1A funds, discussed previously. The two local grants reimbursed costs originally paid by the Public Transportation Account.

Figure 5
Funding Sources for Major Contracts
Fiscal Years 2006–07 Through 2008–09
(In Millions)



Sources: High-Speed Rail Authority contract files.

Note: "Major contracts" are multiyear contracts with a total value greater than $20 million. This graph represents total amounts provided for these contracts by each source. The nine contracts were entered into between 2006 and 2008 and end between 2012 and 2014.

* Local entity grants come from the Orange County Transportation Authority ($7 million) and the Fresno Area Council of Governments ($250,000 in fiscal year 2008–09).

Scope and Methodology

The Joint Legislative Audit Committee (audit committee) asked the Bureau of State Audits to assess the Authority's readiness to manage funds authorized for building the high-speed rail network. Specifically, the audit committee asked us to determine if the Authority is structured to administer its funding in compliance with laws and regulations and whether its processes and controls are transparent, provide accountability, and ensure the cost-effective use of public resources. The audit committee also asked us to identify and assess the steps the Authority's governing board[5] has taken to establish a process for strong program oversight and to review and evaluate the Authority's strategic plan to determine if its goals and objectives are reasonable.

In addition, the audit committee requested that we identify the Authority's funding sources for all major contracts over the past three years. It also asked us to evaluate the Authority's contracting procedures and practices for awarding, managing, and monitoring contracts and to determine the Authority's controls to ensure the appropriateness and accuracy of contract payments. Finally, we were asked to review a sample of contracts and paid invoices to ensure that they comply with applicable policies, procedures, and controls, and to determine if Authority expenditures were reasonable and aligned with its goals and objectives.

To determine if the Authority is structured to administer its funding in compliance with laws and regulations, we identified key aspects of state law related to Proposition 1A bond proceeds, reviewed records pertaining to the peer review group, interviewed Authority staff responsible for accounting, assessed accounting processes, and reviewed the Authority's efforts to prepare for receiving Recovery Act funds. We also assessed its efforts to monitor potential conflicts of interest. The Authority's business plan is a key document that describes the Authority's vision for the program, so we also assessed whether it contains required elements and provides a clear path going forward, focusing on those sections related to program financing and risk management. Further, we assessed whether the Authority's processes and controls are transparent, provide accountability, and ensure the cost-effective use of public resources in conjunction with other audit procedures. For example, we assessed transparency by reviewing the Authority's business plan and we assessed accountability and cost-effectiveness by reviewing the Authority's process for awarding contracts and its controls over invoice payments.

---

[5] According to state law, the "High-Speed Rail Authority" is comprised of the nine members of its "governing board." In this report, we refer to the governing board as "the Authority."

To identify the steps the Authority's governing board has taken to establish a process for strong program oversight, we interviewed the former executive director,[6] chief deputy director, communications director, and Authority chair. We also assessed the communications the Authority receives from its staff and the access Authority members have to information regarding the program. Further, we reviewed the Authority's policies and procedures.

To review and evaluate its strategic plan, we interviewed Authority staff responsible for the plan, the Authority chair, and a consultant hired to develop the plan. The Authority had not finalized its strategic plan at the time of our fieldwork, so we limited our review to determining whether the draft plan includes the necessary elements of a strategic plan as described by Finance.

To identify the Authority's funding sources for major contracts, we reviewed contracts in effect at the end of 2009 and decided that we would classify contracts with a total value greater than $20 million as major. Nine major contracts totaled $757.9 million and accounted for 98.6 percent of the value of Authority contracts active as of December 31, 2009. The remaining eight contracts totaled $10.8 million. Further, all the major contracts are for architectural and engineering services. We totaled funding for fiscal years 2006–07 through 2008–09, by source, for each major contract.

To evaluate contracting procedures and practices for awarding, managing, and monitoring contracts, we focused our review on architectural and engineering contracts, as those account for the overwhelming majority of contracts in terms of aggregate dollar value. We interviewed Authority staff and reviewed state law and the Authority's policies regarding awarding of architectural and engineering contracts. Also, we identified key criteria for awarding contracts and compared the Authority's process in awarding three contracts to these key criteria.

To determine the Authority's controls to ensure the appropriateness and accuracy of contract payments, we interviewed its chief deputy director, fiscal officer, and other staff involved with processing contract payments. We also reviewed its contract administration manual. To review a sample of contracts and paid invoices to ensure that they comply with applicable policies, procedures, and controls, we judgmentally selected 30 invoices related to major contracts and paid with funds appropriated in fiscal years 2006–07 through 2008–09. Our selection reflected the distribution of expenditures across fiscal years and also among the major contracts. We determined whether the Authority followed its internal control procedures when paying the invoices. To select our sample, we used electronic logs of invoice payments maintained by the Authority. We reconciled payment totals on the logs, for each year and funding source, to accounting records of the Authority and to records from the State Controller's Office and determined that the logs were materially complete. Our testing also found the amounts in the logs to be accurate.

---

[6] The Authority's executive director resigned effective March 31, 2010. We refer to him as the "former executive director" throughout this report.

To determine if the Authority's expenditures were reasonable and aligned with its goals and objectives, we used our sample of contract payments, as described earlier, because major contracts represented the vast majority—87 percent—of payments made by the Authority from appropriations for fiscal years 2006–07 through 2008–09. We compared tasks billed on each invoice to those outlined in contractors' annual work plans. Further, we analyzed the Authority's accounting reports between July 2006 and June 2009 to identify other-than-major contract costs that were unusual and could indicate nonalignment with the Authority's goals and objectives. Related to this analysis, we reviewed 10 travel claims in detail. Finally, we determined whether a number of foreign trips by Authority staff and board members met state guidelines and were for purposes that aligned with Authority goals. We found no exceptions related to other-than-major contract costs.

Audit Results

The High-Speed Rail Authority's Planning Lacks Details

The December 2009 business plan of the High-Speed Rail Authority (Authority) lacks detail regarding how it proposes to finance the high-speed rail network (program) and mitigate associated risks. Further, the Authority has not yet completed a strategic plan. According to its 2009 business plan, it anticipates needing $17 billion to $19 billion from the federal government to finance the program, but the business plan provides detail on only a small portion of this. Plan details include $4.7 billion in anticipated grants from the American Recovery and Reinvestment Act of 2009 (Recovery Act), which the Authority has since learned will amount to only $2.25 billion. Further, the Authority estimates it will need $10 billion to $12 billion in private investment. Although it claims private interest is high, the Authority has not received any commitments from private investors. Additionally, a revenue guarantee, without which the private investors are unlikely to participate, lacks specifics. Also, the Authority has identified a number of risks that could affect the program and is working to improve its approach to risk management. Finally, the draft strategic plan, which Authority staff anticipate completing in April 2010, includes all the elements it should, but the Authority itself has been involved in its creation to only a limited extent.

The Authority's 2009 Business Plan Contains the Elements Required by the Legislature

The Authority published its first business plan in 2000 and revised plans in 2008 and 2009. In November 2008, three days after voters approved the Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century (Proposition 1A) bond measure, the Authority released its second business plan. In March 2009 the Legislative Analyst's Office (Legislative Analyst) stated that the revised plan lacked many details and recommended that the Legislature require the Authority to provide additional information. In amendments to the 2009 Budget Act, the Legislature required a revised business plan by December 15, 2009, that would include various details about the program, as described in the text box. Further, the Legislature made almost $70 million—or half of the Authority's funding for fiscal year 2009–10—contingent on receiving the business plan. The Authority released its revised business plan on December 14, 2009.

Amendments to the 2009 Budget Act required the High-Speed Rail Authority (Authority) to prepare a revised business plan that includes the following:

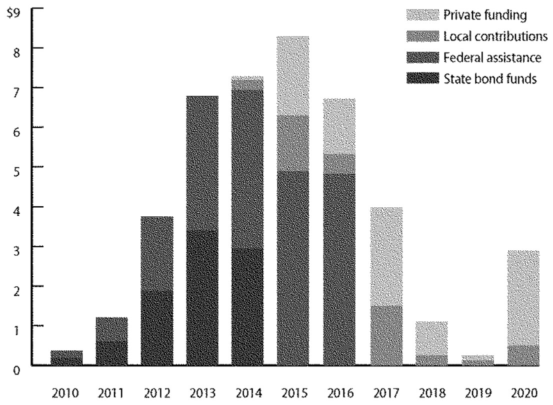
- A thorough discussion describing steps being pursued to secure financing.
- A working timeline with specific, achievable milestones.
- Strategies the Authority will pursue to mitigate different risks and threats.
- Additional information related to ridership, capacity, cost, and private investment strategies.
- System details such as route selection and alternative alignment considerations.

Source: Chapter 1, Statutes of 2009 (ABX4 1), Fourth Extraordinary Session.

The Authority's 2009 business plan contains information related to each element the Legislature requested. For example, it contains program details such as updated cost estimates, general route selection and alternative alignments, and a working timeline with specific milestones related to environmental work. In addition, the 2009 business plan includes a description of the funding the Authority needs to complete phase one—the portion between San Francisco and Anaheim.

The Authority's financial plan includes federal funding, such as that available from the Recovery Act, state bond funds from Proposition 1A, private investment primarily backed by projected operating surpluses of the high-speed rail system, and local funding in the form of such things as naming rights and development around stations. Figure 6 shows the revenues the Authority indicates it will need from each source over the next 11 years. According to the business plan, phase one is projected to cost $42.6 billion in year-of-expenditure dollars[7] and has an estimated completion date of 2020.

Figure 6
High-Speed Rail Authority Projected Sources of Funds
2010 Through 2020
(In Billions)



Sources: High-Speed Rail Authority's 2009 business plan.

Note: Projected amounts for federal assistance and private funding in this graph are somewhat different from those reported in the text of the business plan. Funding for federal assistance is $751 million more than the upper range of the Authority's projections, and private funding is $674 million less than the lower range of its projections in the text of the business plan.

---

[7] The Authority calculated year-of-expenditure dollars by distributing and escalating costs for each corridor based on the year of planned expenditure.

The Authority's Financial Projections Indicate Almost Total Reliance on State and Federal Funds Through 2014

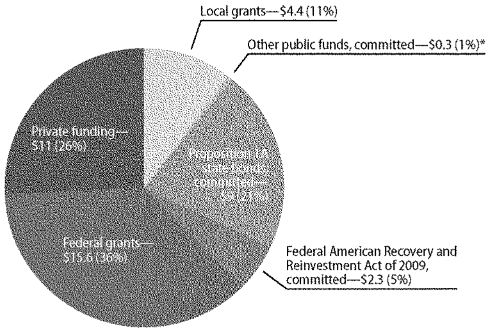
The business plan provides little detail on how the Authority expects to obtain a total of $17 billion to $19 billion in federal grants. As the federal government is by far the largest funding source in the plan, we expected to find concrete details indicating how the Authority expects to secure this money; however, the plan provides detail for only a portion of the total. The plan includes $4.7 billion in Recovery Act funds for which the Authority already had applied. The plan also mentions the Passenger Rail Investment and Improvement Act, which created a mechanism for distributing $1.5 billion in grants for California and 10 other federally designated high-speed rail corridors in other states over five years beginning in 2009. Further, the plan notes a $1 billion per year proposed federal commitment for high-speed rails nationally over a five-year period. After the plan was published, Congress appropriated $2.5 billion for the 2010 federal fiscal year for high-speed rail, intercity passenger rail, and congestion relief grants.

The program risks significant delays because the Authority's plan depends almost exclusively on federal and state funds through 2014 and does not include specific steps for obtaining or replacing federal funds. Further, the Authority's plan includes its request for $4.7 billion in anticipated Recovery Act funds. Paired with state dollars, these funds would be sufficient to support development of the program into 2013, according to the data in Figure 6. However, according to a U.S. Department of Transportation announcement in January 2010, the Authority will receive only up to $2.25 billion of the $4.7 billion Recovery Act funding for which it applied, which is 28 percent of the $8 billion in grants awarded nationwide. With only $2.25 billion committed, the Authority will fall far short of the amount it indicates it needs to meet spending goals in the next few years, barring significant new grants or appropriations of state funds outside of Proposition 1A. According to its communications director, the Authority has no definite commitments from the federal government other than Recovery Act funding.

With only $2.25 billion in committed federal funds, the Authority will fall far short of the amount it indicates it needs to meet spending goals in the next few years.

The Authority's assumptions regarding federal funding are optimistic. According to the business plan, the estimate of federal participation in the program is based on the federal government's historically high participation in large transportation infrastructure programs such as highway, transit, and aviation projects. However, the Highway Trust Fund is a dedicated source for highway and transit programs and has its own revenue source—the federal tax on motor fuels. The U.S. Government Accountability Office, in a 2009 report on the future development of high-speed rail, noted that no such dedicated federal revenue source exists for projects for this mode of transportation, so high-speed rail projects must compete with other non-transportation demands on federal funds. Further, the Federal Railroad Administration (Railroad Administration) received more than $57 billion in applications for the $8 billion of available Recovery Act grants. This suggests that competition for any additional federal dollars will be strong and that California can expect to receive only a fraction of the total. However, the Authority's plan for financing the program depends heavily on federal funding, as Figure 7 illustrates.

Figure 7
Phase One Program Funding by Source
(Year-of-Expenditure Dollars in Billions)



Sources: High-Speed Rail Authority (Authority), 2009 business plan.

Note: The Authority estimated its funding in ranges. For the purpose of this graph we used the average of low and high estimates. Plan ranges were $17 billion to $19 billion for federal grants (including federal American Recovery and Reinvestment Act of 2009 funds), $10 billion to $12 billion for private funding, and $4 billion to $5 billion for local grants.

* Other public funds are specific to the San Francisco-to-San Jose corridor and mostly relate to local grants.

Through 2013 the Authority's plans also depend on federal funding to leverage state bond dollars. As noted in the Introduction, Proposition 1A bond funds may be used to support only up to 50 percent of the total cost of construction of each corridor or usable segment of the program. The remaining 50 percent must come from other funding sources. Thus, the award of up to $2.25 billion in Recovery Act funds allows for the use of an equal amount of state bond funds for construction, for a total of about $4.5 billion.[8]

---

[8] The Railroad Administration approved a total of five applications submitted by the Authority—one for planning and four for construction. The construction applications represent about 91 percent of the total dollar amount for all five applications.

However, the Authority's spending plan includes almost $12 billion in exclusively federal and state funds through 2013, more than 2.5 times what is now available.

Unless it can raise additional federal funds or funds from other sources, the Authority will not be able to leverage adequate state funds to meet its spending goals for specific parts of the program. Before it may commit funds from Proposition 1A for expenditures for construction on a corridor or usable segment, state law requires that the Authority have a plan that estimates the full cost of construction and identifies the sources of all funds and the anticipated time of receipt based on offered commitments or assurances from potential funding sources. State law also requires that the director of the Department of Finance (Finance) determine whether the plan is likely to be successfully implemented as proposed.

Without additional funding commitments, the Authority jeopardizes its ability to create a viable funding plan for the first corridor slated to be done with environmental work.

Without additional funding commitments, the Authority jeopardizes its ability to create a viable funding plan for the first corridor slated to be done with environmental work. According to Authority estimates, the 30-mile corridor between Los Angeles and Anaheim—the least expensive of the corridors approved by the Railroad Administration—will cost $5.5 billion. However, with the $2.25 billion Recovery Act grant and an equal amount of Proposition 1A funds, the Authority has only $4.5 billion potentially available. State law requires the Authority to identify funding sources and timing of receipts before funds from Proposition 1A can be used for construction on any portion of the program. Thus, even if all the $4.5 billion in federal and state funds were used on this corridor, the Authority would need to identify at least an additional $1 billion, or plan to build a segment that costs up to $4.5 billion and does not cover the entire corridor.[9] As described in the Introduction, the Authority may be able to use some Proposition 1A funds available outside of funding plan requirements; however, if it did so the Authority would need to spend most of these funds, leaving little or none of them available for other corridors. Further, according to the chief deputy director, the Authority is working with the Railroad Administration to determine which corridors will receive federal funding. However, they will need to decide quickly. She said the Authority must prepare funding plans by spring 2011 to meet the Railroad Administration's deadline to obligate federal funds in fall 2011.

According to the communications director, the Authority presented the data in Figure 6 on page 18 to illustrate that public funding will be used up-front and that private funding likely will be used toward the end of construction. We based our analysis on this presentation, as it was the only funding scenario the Authority included in its 2009 business plan and was aligned with expected yearly capital costs also presented in the plan. In its April 2010 draft addendum to the 2009 business plan, the Authority presented another scenario that reflects similar funding needs in each year and still relies heavily on federal and state dollars up-front. The key difference between this scenario and that in the 2009 business plan is the use of some local grant funds in earlier years. The alternative scenario still relies heavily on federal funding through 2013 and indicates no new local grant commitments, so we believe our concerns remain valid.

---

[9] State law allows the Authority to submit a funding plan for a corridor or a "usable segment," which is the portion of a corridor between at least two stations.

The Authority's Plans for Private Funding Are Vague

Private investors have expressed interest in the program, but they have made no commitments and the Authority expects they will require a revenue guarantee to participate. The business plan describes the interest of private investors as strong and diverse, and indicates the Authority plans to rely on them to supply $10 billion to $12 billion, primarily backed by projected future operating surpluses. As Figure 6 on page 18 illustrates, however, it does not expect to begin using significant funds from this second-largest proposed source until 2015. In spring 2008, in an effort to better understand private interest in the program, the Authority issued a Request for Expressions of Interest to potential investors. According to the consultant contracted to prepare the Authority's financial plan, the consultant communicates regularly with about 50 parties who responded to the spring 2008 request and others who have approached the consultant or the Authority since then. The consultant said the general consensus from these communications is that private investors will require a minimum revenue guarantee from a public entity in the event that ridership projections, and thus operating surplus projections, are not met. This viewpoint is also expressed in the 2009 business plan.

The Authority does not expect to begin using significant funds from private investors until 2015.

The Legislative Analyst expressed concern that a revenue guarantee might violate state law prohibiting an operating subsidy for the program. In a February 2010 memo, the Authority's financial consultant provided clarification, indicating that the revenue guarantee would not be used as an operating subsidy but would be a limited-term contingent liability used to support up-front capital investment. Additionally, he said that such guarantees with capital cost-only limitations have been employed in both federal and state highway and transit projects. The consultant also stated that the guarantee would be of a limited duration, from five to 10 years. Therefore, a guarantee could increase costs to the public sector. The business plan does not make clear which government would be responsible for the guarantee or how much it might cost.

The business plan does not make clear which government would be responsible for a revenue guarantee to private investors or how much it might cost.

The Authority has addressed a number of concerns surrounding the model it uses to project ridership, which is fundamental to operating revenue projections, and thus to private investors' interest in supporting the program. In memos released together in March 2010 and published on its Web site, the Authority's former executive director[10] and the consultant responsible for developing the ridership model responded to concerns from the public regarding ridership and revenue projections. For example, an advocacy group alleged that the Metropolitan Transportation Commission, which contracted for the study, made drastic changes to the model, yet did not include these changes in the public documentation or the final project report. The consultant responded that the model development team adjusted coefficients and constants to address peer review comments, that these coefficients and constants were in the final model, and that they were not later changed. The consultant also explained that the final coefficients, constants, and related details were not included in the final report but were in the model itself, part of a package that also included the final report and a user's guide.

The Authority addressed additional concerns in its April 2010 draft addendum to the 2009 business plan. For example, in a background document for a joint hearing in January 2010, the Senate Transportation and Housing Committee and a Senate budget and fiscal review subcommittee quoted Authority projections indicating that more passengers traveling between regions would board in Merced or Palmdale (5,300 and 5,200 per day, respectively) than would board in Los Angeles (3,700), a much larger city.[11] According to the addendum, these apparent discrepancies are due to several factors. For example, it explained that Merced and Palmdale do not have frequent, inexpensive air service available to travelers, as does Los Angeles. Further, many riders from Merced and Palmdale count as "inter-regional" travelers because of the way regional boundaries are drawn.

More significantly, the Authority is working to review and revise the ridership model. According to the draft addendum, the contractor responsible for the model is working with the University of

---

[10] The Authority's executive director resigned effective March 31, 2010. We refer to him as the "former executive director" throughout this report.

[11] According to the background document, the Program Manager gave revised figures to the legislative committees subsequent to the release of the 2009 business plan. These figures were slightly different from those in the business plan, which estimated that daily inter-regional boardings would be 5,600 and 5,500 in Merced and Palmdale, respectively, and 3,800 in Los Angeles.

California, Davis to refine the current forecasting models, develop independent forecasts, and conduct a risk analysis. This effort is to involve an independent peer review panel to assess the resulting products. In addition, the draft addendum stated that the Authority entered into a contract with the University of California, Berkeley's Institute of Transportation Studies in March 2010—at the request of the Senate Transportation and Housing Committee—to peer review the Authority's past and current ridership models and forecasts.

The Authority says it has entered into a contract to peer review its past and current ridership models and forecasts.

The Authority Is Working to Improve Its Approach to Risk Management

The Authority's 2009 business plan identifies a number of risks associated with the program, but it provides little detail on how it will manage those risks. The Project Management Institute, recognized for its development of standards for the practice of project management, publishes the *Guide to the Project Management Body of Knowledge*, which identifies and describes generally accepted project management practices. According to the guide, project risk management includes the processes of conducting risk management planning, identification, analysis, response planning, and monitoring and control on a project.

Risks identified in the business plan include those associated with government funding, ridership projections, and construction costs. The plan notes that estimated cost projections generally include a 30 percent contingency reserve, with a 20 percent contingency reserve being assigned to items such as track, systems, and electrification. However, the plan does little otherwise to describe its processes for monitoring and controlling risk. According to the communications director, the Authority acknowledges that risk management will be an organizational weakness if it remains as is moving forward.

The Authority has taken steps toward improving its approach. In March 2010 the Program Manager completed a major revision to its risk management process to include a "Risk Register Development Protocol." This protocol details how the Program Manager, regional contractors, and Authority staff will collaborate to identify, assess, analyze, manage, and monitor risk. The protocol also includes a description of a process for developing broadly accurate estimates of potential impact and probability of risks, and expectations for personnel assigned risk management responsibilities. Further, its consultant providing program management oversight, hired in January, will review the risk management plan. Also, the Authority's risk insurance manager, hired in February 2010, will provide services aimed at reducing exposure to project liabilities. The

Authority must ensure that these actions for managing risk are fully implemented so it can respond effectively to circumstances that could significantly delay or even halt the program.

The Authority Anticipates Completing a Strategic Plan in Spring 2010

Although state law no longer requires development of strategic plans, the *State Administrative Manual* says agencies must have strategic plans before Finance will consider budget change proposals for capital outlay.[12] The chief deputy director said the Authority made such a request in September 2009. According to Finance, strategic planning is a long-term, future-oriented process of assessment, goal setting, and strategy building that maps an explicit path between the present and a vision of the future. A strategic plan is an agency's comprehensive guide for carrying out its mission.

According to Finance, the key elements of a strategic plan are an internal and external assessment, mission statement, principles, vision, goals and objectives, performance measures, and action plans. The Authority's strategic plan is not yet complete; however, a draft includes all these elements except for action plans. For example, it presents a mission to "plan, design, build, and operate a high-speed train system that provides an efficient, safe, sustainable, and reliable transportation option for the people of California." The draft plan also identifies two goals: to "ensure that the Authority's organizational infrastructure fully supports its mission," and to "advance California's high-speed rail system through effective planning and construction." According to the consultant working on developing the strategic plan, completion is expected in April 2010, when it will go before the Authority for approval. She expects action plans and other implementation tasks to be completed by June 2010.

Finance's guidelines also state that strategic planning involves all levels and functional units of an agency; boards play an important policy-making role and can assist in developing the mission, principles, and vision of an agency. However, according to the chief deputy director, the Authority's participation in the strategic planning process has been limited to an invitation to take part in an initial survey about the organization's issues. The Authority bears ultimate responsibility for the program's success or failure, so we expected it to be a more active participant in the strategic planning process. Without such participation, the program could operate with plans that do not fully reflect the Authority's outlook.

The Authority's participation in the strategic planning process has been limited to an invitation to take part in an initial survey about the organization's issues.

---

[12] Capital outlay includes the acquisition of real property, major construction, and improvements.

The Authority Needs to Improve Oversight and Administrative Controls

The Authority has not put in place some structures it needs to provide adequate oversight and administrative control of the program. For example, state law requires the Authority to establish an eight-member peer review group (review group) to review its plans; however, only five of the eight members had been appointed as of March 2010. Further, state law limits the amount of bond funds the Authority may spend on administration, as well as planning, environmental studies, and preliminary engineering (preconstruction tasks), but it does not have a system in place to track expenses in these categories; nor has it determined which expenses should be classified as administrative. In addition, the Authority has taken some steps to prepare for Recovery Act funds, but it still must establish procedures to track jobs created and it must better document its policies and procedures. Finally, the Authority's governing board, which is ultimately responsible for the program's success or failure, is expanding its oversight role.

Selection of the Peer Review Group Has Not Been Completed

Three of the members of a statutorily defined advisory group have not yet been appointed, reducing the Authority's access to important input. State law requires it to establish an independent review group, as described in the text box, that is to assess various plans the Authority may develop. The review group is also to issue independent judgments as to the feasibility of funding plans and the appropriateness of the Authority's related assumptions. State law directs the Authority to establish this group, but it leaves appointment of the group's members to four other agencies. As of March 2010, only five of the eight members had been appointed—one by the State Treasurer's Office (Treasurer), one by the State Controller's Office (Controller), one by Finance, and two by the Business, Transportation and Housing Agency. The Treasurer, Controller, and the Business, Transportation and Housing Agency each have one more appointment to make.

Without a complete review group, the Authority cannot benefit fully from its expertise. As the text box describes, review group members must be familiar with high-speed rail construction,

Required Qualifications for Peer Review Group Members

According to state law, the peer review group shall include the following individuals:

- Two with experience in the construction or operation of high-speed trains, designated by the State Treasurer's Office.
- One with experience in engineering and construction of high-speed trains, designated by the State Controller's Office (Controller).
- One with experience in project finance, designated by the Controller.
- One from a financial services or consulting firm, designated by the director of the Department of Finance.
- One with experience in environmental planning, designated by the secretary of the Business, Transportation and Housing Agency.
- Two from agencies providing intercity or commuter passenger train services, designated by the secretary of the Business, Transportation and Housing Agency.

Source: California Public Utilities Code.

finance, and planning. Those members already appointed include the former director of the California Department of Transportation and an individual who has been involved with high-speed rail programs in the United Kingdom and Korea. Further, the three members appointed in 2009 gave detailed feedback on the organizational structure recommended in the December 2009 assessment to the Authority mentioned in the Introduction. They also commented on issues related to federal funding and risk management. According to the chief deputy director, the Authority considered the comments and incorporated the letter from the partial review group into the report on the organizational assessment.

According to representatives of the Treasurer and the Controller, the positions have been challenging to fill, given the necessary qualifications for appointees. However, representatives for all three agencies that still must make appointments stated they are actively pursuing qualified candidates, and two said they intend to make their appointments in April 2010.

The Bagley-Keene Open Meeting Act (Meeting Act)[13] prohibits a majority of members of a state body (five, in this case) from discussing, deliberating, or taking action on items of business outside of an open meeting. Thus, according to our legal counsel, the review group must hold a meeting that is properly announced and open to the public when it analyzes and evaluates the Authority's plans. The Authority received informal advice from its legal counsel, a lawyer with the Office of the Attorney General, stating that the review group is not subject to the Meeting Act because it is not similar to a board or commission in that it is not expected to make collective decisions. State law, however, requires the review "group" to analyze and evaluate the Authority's plans and to report to the Legislature. Therefore, our legal counsel does not see any basis in law to conclude that the review group is not expected to make collective decisions. Moreover, the Meeting Act is explicit in applying to multimember bodies created by state law and allowing for very specific exceptions, which do not apply to the review group. Without clarity on whether the review group is subject to the Meeting Act, the Authority risks having the group act in a manner contrary to state law, potentially voiding its analyses, such as those related to the viability of the Authority's funding plans.

Without clarity on whether the review group is subject to the Bagley-Keene Open Meeting Act, the Authority risks having the group act in a manner contrary to state law, potentially voiding its analyses.

---

[13] The Meeting Act establishes open-meeting requirements for every state board, commission, or similar multimember body. It generally requires such bodies to publicly announce their meetings, prepare agendas, accept public testimony, and conduct their meetings in public unless specifically authorized by the Meeting Act to meet in closed session.

The Authority Lacks Systems to Comply With State Law and Federal Grant Requirements

The Authority does not have a system in place to track expenditures funded by Proposition 1A to ensure compliance with statutory limitations on administrative and preconstruction task costs. As noted in the Introduction, only 2.5 percent ($225 million) of the Authority's portion of Proposition 1A bond funds may be used for administration (the Legislature may increase this to 5 percent), and only 10 percent ($900 million) may be used for preconstruction tasks. As Authority staff began spending funds from Proposition 1A in 2009, we expected them to have defined the types of costs falling in these categories and to have established systems for recording, reporting, and planning for these costs, but that was not the case.

According to its fiscal officer, the Authority is unsure how to classify the expenditure of bond proceeds, although it has a general idea of what should be considered administrative costs. The fiscal officer further stated that the Authority does not have a tracking system in place, but it is working with its information technology consultant to develop a database to keep track of costs by category. Until such a process is in place, the Authority cannot accurately report on its expenditures in each category, cannot create an accurate long-term spending plan, and risks not knowing when or whether it has run out of bond funds available for administration or preconstruction task costs. This is of particular concern because the Authority is set to have spent about $168 million in bond proceeds by the end of fiscal year 2009–10, and the proposed 2010–11 Governor's Budget includes spending an additional $583 million, for a total of about $751 million. If these amounts were all spent on administration and preconstruction task costs, the Authority would use about two-thirds of all the money authorized by Proposition 1A for these cost categories.

American Recovery and Reinvestment Act of 2009 Selected Information Required in Recipient Reports

- Total amount of funds received
- Amount of funds expended or obligated
- Detailed list of projects and activities funded
- Estimated jobs created and retained by funded projects
- Rationale for infrastructure investments

Source: American Recovery and Reinvestment Act of 2009.

Furthermore, the Authority still needs to develop some systems to track and report on the use of Recovery Act funds. Because of its $2.25 billion federal award, the Authority will be required to comply with both the Recovery Act reporting requirements, some of which are described in the text box, and with the readiness requirements of the California Recovery Task Force (task force). The Authority has fulfilled some requirements to prepare for Recovery Act funds; for example, it has established an accounting code to track the funds separately from other funds. Additionally, the Authority satisfied the task force's oversight and fraud prevention requirements by completing a risk assessment as part of its review of internal controls and sending an employee to fraud prevention training. Further, the fiscal officer stated the Authority is developing a database to track all expenditures and automatically indicate the correct funding source. The database also will help fulfill the task force's transparency and reporting requirements.

The Authority has yet to develop some systems needed to meet Recovery Act requirements.

However, the Authority has yet to develop some systems. For example, the proposed database does not allow the Authority to track the number of jobs created or saved, as the Recovery Act requires; nor has the Authority developed an alternative mechanism to track this information. In addition, we recently issued a report on the State's system for administering Recovery Act funds, which includes a recommendation that agencies incorporate Recovery Act provisions into their policies and procedures. According to its December 2009 Financial Integrity and State Manager's Accountability Act report, the Authority has not developed basic operational policies and procedures to which Recovery Act provisions could be added.

According to its chief deputy director, the Authority has lacked the staff necessary to implement all Recovery Act requirements. She further stated that it still has time to act, as it does not expect to receive the award funds until late in 2010. Nevertheless, the longer the Authority takes to ready itself to track and report on Recovery Act funds, the more it risks being unprepared to actually meet federal requirements. Noncompliance with grant provisions could jeopardize its ability to receive those funds and to compete for future grants—both of which are essential, given its heavy planned reliance on federal funds.

The Authority Is Working to Increase Its Involvement

Until recently, Authority members had not provided significant oversight to the program. As described in the text box on the following page, state law requires this group of nine appointees to direct the development and implementation of high-speed rail service. We expected the Authority to be engaged in activities in a manner reflecting its legislated responsibilities and powers. However, the Authority's involvement thus far has been limited. For example, it did not have an opportunity, as a body, to discuss or approve the revised business plan issued in December 2009. In fact, members received a copy of the plan only two days before staff submitted it to the Legislature. However, according to the communications director, some members received a draft of the business plan and discussed it with him. Also, as discussed earlier, the Authority has been only minimally involved in creating the strategic plan. Its chair stated that the Authority is ultimately responsible for the program's success or failure. Unless it exercises oversight of plans and activities, however, it risks being unaware of significant issues that could disrupt or delay the program.

The Authority is taking some steps to increase oversight of its staff and the program. For example, according to its chair, he requested that staff begin providing members with weekly, written reports on the program's status. Although the chair said these reports have met his expectations, he acknowledges that they are only weekly "snapshots" of staff progress and do not contain detailed information on the program's budget and schedule. Further, in the 29-week period between the first weekly report on August 17, 2009, and March 6, 2010, staff issued only 12 weekly reports.

Additionally, the Authority created three committees—operations, finance, and executive/administrative. Members have participated in three workshops on issues pertinent to each committee. However, only the executive/administrative committee held its first four scheduled meetings. The operations committee held two of its first four scheduled meetings, and the finance committee canceled its first meeting, scheduled for March 2010. According to the chair, the committees have had difficulties meeting regularly because members have not always been available.

Responsibilities and Powers of the High-Speed Rail Authority

Responsibilities include:

- Directing the development and implementation of intercity high-speed rail service.
- Appointing an executive director to administer the affairs of the High-Speed Rail Authority (Authority), as directed by the Authority.
- Establishing an independent peer review group to review the Authority's plans.

Powers include:

- Periodically submitting business plans.
- Entering into contracts for design, construction, and operation of high-speed trains.
- Acquiring rights-of-way.
- Issuing debt.
- Setting fares and schedules.

Source: California Public Utilities Code.

In addition, the Authority has not always followed the policies and procedures it develops. In June 2009 it adopted policies and procedures related to its members' communications with Authority staff and contractors. For example, the policies and procedures require Authority members to communicate with contractors only through the executive or deputy director. However, the Authority's former executive director claims that member-to-contractor contact has occurred often and provided us with documentation showing that subsequent to the policy adoption, a board member met directly with a contractor to receive an update on program issues. According to the former executive director, when individual members express opinions to contractors, the contractors may be unsure if they should consider the opinions to be direction from the Authority or just comments. He indicated that if contractors ignore these communications, the Authority member later might criticize their work. Such conduct also might affect the public's perception of openness and accountability, and create expectations for contractors to respond directly to Authority members' requests that staff may not know about.

Contract Monitoring and Internal Controls Do Not Provide Sufficient Accountability

Although the Authority's process for awarding architectural and engineering contracts generally meets state requirements, its monitoring of these contracts has been lax. For example, the Program Manager provides a monthly report of the program's overall progress—including the progress of regional contractors working on specific corridors—to staff. However, some recent progress reports have contained inconsistent information regarding the program's status and inadequate information on services provided by the various contractors. Also, the Authority is not consistently implementing its internal controls over contract payments and has paid for tasks not included in contractors' work plans.

The Authority's Process for Awarding Architectural and Engineering Contracts Generally Meets Requirements

Under state law, architectural and engineering contracts are subject to different requirements from other types of contracts. For example, before an architectural and engineering contract can be awarded, state law requires the agency to conduct discussions with at least three firms regarding concepts and methods of approach for furnishing the required services. Additionally, state law requires that architectural and engineering service contracts be awarded to the most qualified firm rather than to the lowest responsible bidder, as is generally the case for other service contracts. State agencies using such contracts must develop regulations to ensure that architectural and engineering services are engaged on the basis of demonstrated competence and at reasonable prices. Finally, in addition to being advertised in the *State Contracts Register*, architectural and engineering projects must be announced in the publications of professional societies. Architectural and engineering contracts have been very significant, accounting for about 87 percent of all the Authority's payments for fiscal years 2006–07 through 2008–09.

Our testing of three architectural and engineering contracts found that the Authority generally followed state requirements for awarding them. For example, in each case it conducted discussions with at least three firms regarding the proposed project. It also evaluated and ranked each proposal and selected and contracted

The Authority generally followed state requirements for awarding architectural and engineering contracts.

with the firm it deemed to be the most qualified from a pool of no fewer than three firms. Further, the Authority advertised each project in the *State Contracts Register*. However, in one instance it did not comply with the requirement to advertise through professional society publications. In this case, the staff member who advertised the contract said she believed that using the Department of General Services' e-procurement system to electronically post the project's advertisement to the *State Contracts Register* met advertising requirements. This electronic format, however, posts advertisements only in the *State Contracts Register* and does not cover other media. This appears to be an inadvertent mistake; nevertheless, without proper advertising through various required media, the Authority risks not reaching the widest pool of potential contractors.

A Primary Tool for Communicating the Status of the Program Contains Inaccurate and Inconsistent Information

The contract with the Program Manager requires it to submit a progress report to the Authority at least once a month. According to the Program Manager's director, this report is the primary document summarizing monthly progress on both a regional and overall level. The Authority's chief deputy director said the report is one of its primary monitoring tools. According to the Program Manager's director, the progress report is essentially a snapshot of the program at the end of a given period. As such it is designed to provide the reader with a summary look at the status of current work, planned work versus work progress, budgeted versus actual costs, budgeted versus actual labor hours, identification of critical issues that have or will affect the program's progress, and remediation measures to address areas of concern. The Authority's contract with the Program Manager requires the progress report to be sufficiently detailed for the executive director to determine if the Program Manager and regional contractors are performing to expectations and are on schedule, and to air difficulties so remedies can be developed.

Some monthly reports, however, contain information that is inconsistent and inaccurate. For example, in the June 2009 progress report, the program schedule, which graphically displays the program's progress by task, indicates that the Program Manager had completed its fiscal year 2008–09 regional contractor oversight activities for all corridors. However, elsewhere in the same document, in a table that provides further detail on the level of task completion, the hours worked and dollars spent for the same activities shows an average rate of completion of about 70 percent. Furthermore, according to the same report, the regional contractor for the Los Angeles-to-Anaheim corridor had planned to finish 65 percent of its technical reports but actually completed only 7 percent by June 30, 2009. Likewise, it planned to finish 60 percent of its design submittals but actually completed only 20 percent. However, the "issues and areas of concern" section of the report does not discuss the delay in this work.

Also, the July 2009 report indicates that the regional contractor for the Los Angeles-to-Anaheim corridor—the corridor expected to have environmental and preliminary engineering tasks finished the earliest according to the 2009 business plan—had worked 81 percent of the hours planned for the month, but had incurred expenditures that were 230 percent of those planned. The Program Manager's director provided us a statement from the regional contractor for the Los Angeles-to-Anaheim corridor explaining that the error was due to a discrepancy in the reporting periods for the monthly report and the contractor's payroll. The regional contractor further stated it fixed the problem in December 2009. According to the chief deputy director, the Authority was unaware of the problem. The Program Manager's director acknowledged he did not inform the Authority of this issue.

The progress reports also did not provide the status of contractor promised goods and services. Each fiscal year the Program Manager and regional contractors submit work plans for acceptance by the Authority's executive director. Within each work plan, contractors detail the scope of planned activities, including promised services and due dates. Therefore, we expected progress reports to include a discussion of which services in the work plans contractors had or had not completed. The three progress reports we reviewed—June, July, and September 2009—each described actions taken or products created, but they did not compare those actions and products to what the contractors promised in their work plans. The Legislative Analyst had similar concerns about the information reported in the November 2009 progress report. In its March 2010 report, the Legislative Analyst noted that the progress report updated the status on only about half of the tasks identified in the Program Manager's work plan, with the remaining tasks deleted or missing. The Program Manager's director acknowledged to us that the monthly reports did not contain information on promised goods and services and stated that his team is changing the reports to include such a discussion.

Monthly progress reports from the Program Manager to the Authority did not compare actions taken and products produced to what contractors had promised in their work plans.

Finally, the progress reports did not indicate the significant amount of work the Program Manager performed outside of its work plan. According to the Program Manager's director, Authority staff have made ongoing requests to his team to perform tasks in addition to the planned scope of work. For example, according to the Authority's chief deputy director, in June 2009 staff asked the Program Manager to assist in the preparation of Recovery Act applications. The Program Manager's director provided us with a list totaling 700 hours that detailed the time his team worked on Recovery Act tasks, broken down by employee. Additionally, according to him, his team provided support for the development of the Authority's 2009 business plan but did not separately track the hours it worked on this task, which was also outside of the work plan. As a result, work on other aspects of the program may have been delayed or curtailed.

For example, according to the September 2009 progress report, the Program Manager had planned to spend about 2,700 hours overseeing regional contractors in the month reported on, but it worked only about 1,400 hours, or about 53 percent, of the planned level. At the same time, the progress report indicated that for the month reported on, all regional contractors logged about 32,100 hours, or 72 percent of their planned activity. These results suggest that while the Program Manager worked on tasks outside its work plan, it may have reduced its oversight of regional contractors, increasing the risk that their work was not done correctly or according to plan.

Problems with the monthly reports appear to stem in part from the lack of attention Authority staff have paid to them. According to the former executive director, he and the chief deputy director received the reports but did not have any policies in place for their review; they performed reviews as time allowed. The contractor who acts as the Authority's chief engineer said the former executive director assigned him the task of reviewing progress reports around August 2009. He reviewed the September 2009 report and sent a memo to the former executive director and the Program Manager's director highlighting issues needing management action, specifically various tasks that were behind schedule. His memo did not point out inaccuracies and inconsistencies such as those previously mentioned, although it did ask the Program Manager's director to further address actions to mitigate highlighted problems.

The hiring of an oversight consultant may help resolve problems with progress reports.

The hiring of an oversight consultant may help resolve problems with progress reports. The duties of this consultant, hired in January 2010, include reviewing some of the data underlying the progress reports. For instance, the oversight consultant is to review certain promised services, audit work in progress, and review the Project Manager's invoices for compliance with annual work plans. The oversight consultant's duties do not specifically require it to review the progress reports; however, according to the Authority's project delivery director, staff could ask the consultant to do so as part of its overall scope of work. Until they resolve issues with the progress reports, Authority staff cannot ensure that this key monitoring document provides accurate and consistent information on the program's status.

The Authority Paid Invoices Without Ensuring They Accurately Reflected Work Performed

The Authority has not consistently implemented its controls regarding paying contractor invoices and has not documented execution of some controls, risking that it will pay for work outside the scope of the program or for items not allowed by state rules. For example, of 22 regional contractor invoices we reviewed, the Authority paid 20, totaling $6.9 million, without documenting that the Program Manager had performed a required review and notified the Authority that payment was appropriate. Further, it made some payments to contractors that constituted a misuse of public funds because the items paid for were not included in written contracts. Finally, the Authority's written policies and procedures for invoice payment were adopted only recently and do not accurately describe significant controls staff say they are to follow.

The Authority Paid Invoices Without Assuring They Accurately Reflected Work Performed

Out of 22 invoices from regional contractors, the Authority had a record of the Program Manager's review for only two.

The Authority paid invoices from regional contractors without gaining assurance that the invoices reflected work performed. According to the chief deputy director, the Program Manager should review each regional contractor's invoice to ensure that the work claimed has been performed, and then notify Authority staff whether the invoice should be paid. She further stated that staff should not pay invoices without notifications. However, for a sample of 22 invoices from regional contractors, the Authority had a record of the Program Manager's review for only two. According to the chief deputy director, when she processed regional contractor invoices, the Authority received only oral notification from the Program Manager that the invoices should be paid. Therefore, it has no record of such notifications during the period of her review. She further stated that when the Authority's current fiscal officer took over invoice review in spring 2007, she instructed the fiscal officer to get written notification from the Program Manager before payment. However, the fiscal officer says she was not told to obtain such notifications, nor did she receive any. The fiscal officer stated that, before December 2008, she was unaware of the expectation that the Program Manager would send notifications and knew of no formal policy requiring receipt of notifications before invoice payment. Of the 22 invoices we tested from regional contractors, the Authority received 12 before January 2009—totaling $2.9 million—for which it has no evidence that the Program Manager performed a review. The Authority also has no documentation that the Program Manager reviewed eight invoices—totaling $4 million—of the 10 received after

December 2008. Unless staff implement controls related to written notifications from the Program Manager, the Authority risks paying regional contractor invoices that are inaccurate or do not reflect services performed.

We found that Authority staff paid the Program Manager's invoices without reviewing them to ensure they reflected work performed.

Unlike the system for controlling payments to regional contractors, Authority staff have needed to rely entirely on themselves to oversee payments to the Program Manager. However, we found that Authority staff paid the Program Manager's invoices without reviewing them to ensure they reflected work performed. According to the chief deputy director, until recently there were no staff members available to conduct such work. However, the Authority has long recognized problems in this area. In July 2006, as it sought a program manager, the Authority expressed concerns about whether this manager would receive adequate oversight. At that time, it directed staff to contract with a program management oversight consultant (oversight consultant). The oversight consultant was to ensure that the Program Manager was performing its duties with due diligence. The Authority has experienced difficulties hiring and retaining such a contractor. It brought on an oversight consultant in September 2007 but terminated the contract in December 2008 after multiple discussions. Authority staff then sought a new consultant and recommended one that was approved in June 2009. However, this effort fell through when the selected consultant's firm was bought by one of the Authority's regional contractors, creating a conflict of interest. In January 2010 the Authority executed a contract with a third oversight consultant that began work immediately.

Also, Authority staff did not keep a record of their own review of the regional contractors' and Program Manager's invoices. According to the fiscal officer, staff should review each invoice to ensure arithmetic accuracy, correct calculation of overhead amounts based on the rates in work plans, and compliance with state guidelines of other costs, such as those for travel. She stated that the Authority does not, however, maintain a record of this review. Without an adequate record of staff review, the Authority cannot ensure that invoice controls have been implemented, increasing the risk that it has paid for items not allowed by state guidelines or authorized in contractors' work plans. However, a review of 30 invoices revealed that contractors generally have reported and documented expenses appropriately, with minor errors involving some business meals.

The Authority Made Some Payments That Did Not Reflect the Terms of Its Agreements

In several instances, the Authority paid for items or work not included in contracts or work plans. The Authority purchased $46,000 of furniture for its Program Manager's use based on an oral agreement. State law prohibits a state employee from permitting others to use public resources, including equipment, for any purposes not authorized by law. According to its fiscal officer, the Authority currently provides office space for a number of employees working for the Program Manager. However, the Authority's written contract with the Program Manager requires the Authority to provide office space and telephone service for the program manager, and requires the Program Manager to furnish the office equipment and systems necessary to conduct business.

The Authority purchased $46,000 of furniture for its Program Manager's use based on an oral agreement, but the written contract says the Program Manager will furnish the office equipment and systems necessary to conduct business.

The fiscal officer stated that Program Manager staff currently occupy desks and use equipment purchased by the Authority. The Authority has spent at least $46,000 for furniture in office space currently occupied exclusively by contract staff. The chief deputy director explained that this arrangement resulted from an oral agreement between the Program Manager and the Authority. However, the written contract was executed after the oral agreement, and this written contract expressly states that oral agreements not incorporated in the written contract are not binding. Therefore, the newer written agreement effectively supersedes the oral agreement. Unlike the oral agreement, the written contract requires the Program Manager to provide its own furniture, equipment, and systems. Authority staff did not incorporate the oral agreement into the written contract, so they spent $46,000 in a manner that constitutes an unauthorized use of public resources. According to the chief deputy director, the Program Manager reduced the overhead rate it charges for staff working in Authority facilities. Nevertheless, oral amendments reduce the transparency of the Authority's operations, as persons reviewing its contracts would not necessarily know such provisions exist.

The Authority also paid more than $268,000 for services outside of contractors' work plans. In the most significant example, a regional contractor charged more than $194,000 for tasks not included in its work plan. Specifically, the Authority asked a regional contractor to retain a consultant to perform work on "Vision California," an effort to explore the role of land use and transportation investments in meeting environmental and fiscal challenges facing California. According to a draft of the consultant's scope of work, the Authority has committed $1 million to this effort over two fiscal years. However, this work was not reflected in the regional contractor's work plan. In another example, as discussed earlier, the Program Manager conducted work on Recovery Act applications that was outside its work plan. In September 2009 the Program Manager charged almost $53,000 for work on Recovery Act applications. According to the chief deputy director, the Authority asked the Program Manager to perform this work. Nevertheless, if the Authority does not amend contracts or work plans to reflect additional tasks it wants performed, its ability to measure performance against those contracts and plans, and thus ensure accountability, is impaired, and established timelines may be jeopardized.

The Authority Lacks Adequate Written Policies and Procedures for Invoice Review

The Authority only recently adopted written policies and procedures related to invoice payment; however, they do not adequately describe its controls or their implementation.

Finally, the Authority only recently adopted written policies and procedures related to invoice payment; however, they do not adequately describe its controls or their implementation. In December 2008 the Authority's Financial Integrity and State Manager's Accountability Act of 1983 report[14] identified its need to ensure that contract payments are accurate and to develop adequate control procedures. The report indicated that the Authority would immediately start developing policy directives and procedures, including those for controlling the review and approval of contractor invoices, and that it would complete a policies and procedures manual by June 2009. The Authority completed a contract administration manual (contract manual) in September 2009, which includes a description of the process for reviewing and paying invoices, but it does not reflect all the controls Authority staff say are in place. For example, the contract manual states that a contract manager must conduct a technical evaluation of each invoice, based on promised goods and services, to determine the reasonableness of charges; however, it does not discuss the review the Program Manager is to perform on regional contractors' invoices or the need for Authority staff to hold payments until they receive written notification from the Program Manager.

The Authority's 2009 Accountability Act report, issued December 2009, noted that, although it had performed some work on standardized policies and procedures, it had not yet developed basic operational policies and procedures. Without adequate written policies and procedures, the Authority cannot ensure that its staff understand how to implement internal controls over payments or guarantee that they implement them consistently.

---

[14] The Financial Integrity and State Manager's Accountability Act of 1983 (Accountability Act) requires each state agency to maintain effective systems of internal accounting and administrative control. The Accountability Act also requires agencies to conduct internal reviews and prepare reports on the adequacy of their systems of internal accounting and administrative controls.

Recommendations

To ensure that it can respond adequately to funding levels that may vary from its business plan, the Authority should develop and publish alternative funding scenarios that reflect the possibility of reduced or delayed funding from the planned sources. These scenarios should detail the implications of variations in the level or timing of funding on the program and its schedule.

In order to plan adequately for private investment, the Authority should further specify the potential costs of planned revenue guarantees and who would pay for them.

In order to respond effectively to circumstances that could significantly delay or halt the program, the Authority should ensure that it implements planned actions related to managing risk.

To avert possible legal challenges, the Authority should ensure that the review group adheres to the Meeting Act or seek a formal opinion from the Office of the Attorney General regarding whether the review group is subject to this act.

To ensure that it does not run out of funds for administrative and preconstruction tasks prematurely, the Authority should track expenditures for these activities and develop a long-term spending plan for them. It also should develop procedures and systems to ensure that it complies with Recovery Act requirements.

The Authority should participate in the development of key policy documents, such as its business and strategic plans. Further, Authority members should adhere to their policies and procedures, including those outlining how they may communicate with contractors.

In order to ensure that staff receive relevant information on the program's status, the Authority should amend the oversight consultant's work plan to include a critical review of the progress reports for accuracy and consistency. Authority staff also should request that the Program Manager revise its progress reports to include information on the status of contract products and services in relationship to what was promised.

To determine if it is paying invoices that accurately reflect work performed, the Authority should ensure that staff adhere to controls for processing invoices. For example, staff should not pay invoices from regional contractors until they receive written notification from the Program Manager that the work billed has been performed, or until they have conducted an independent verification.

To ensure that it does not misuse public funds and can hold contractors accountable, the Authority should adhere to the conditions of its contracts and work plans, and make any amendments and modifications in writing.

To better determine if payment controls are implemented, the Authority should ensure that its written policies and procedures reflect intended controls over invoice processing and offer sufficient detail to guide staff. These procedures should include steps for documenting implementation of invoice controls.

We conducted this review under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted government auditing standards. We limited our review to those areas specified in the audit scope section of the report.

Respectfully submitted,

Elaine M. Howle

ELAINE M. HOWLE, CPA
State Auditor

Date: April 29, 2010

Staff: Jim Sandberg-Larsen, CPA, CPFO, Project Manager
John Lewis, MPA
Sarah Bragonje, MPA
Ryan Grossi, JD
Timothy T. Jones

Legal Counsel: Scott A. Baxter, JD

For questions regarding the contents of this report, please contact
Margarita Fernández, Chief of Public Affairs, at 916.445.0255.

(Agency response provided as text only.)

California High-Speed Rail Authority
925 L Street, Suite 1425
Sacramento, CA 95814

April 19, 2010

Elaine M. Howle*
State Auditor
Bureau of State Audits
555 Capitol Mall, Suite 300
Sacramento, CA 95814

Dear Ms. Howle:

Thank you for the opportunity to review and comment on the draft audit report regarding the California High-Speed Rail Authority (Authority).

The Authority is committed to transparency and believes strongly that additional spotlight on our operations will ultimately make for a better high-speed train project for the state. So, the Authority appreciates the input and recommendations from the Bureau of State Audits, and agrees with its recommendations.

We believe the audit process has identified areas where the Authority can improve its administrative processes and project oversight. We note that many of the findings in your draft audit are similar to those outlined earlier by the Legislative Analyst's Office (LAO). As a result, in many instances the Authority has already taken action to address issues raised in your report. In particular, the Authority earlier this month approved an addendum to its 2009 Business Plan that clarified our efforts to address funding for system construction, risk management, and alternatives for securing the private capital investments necessary to bring this important project to fruition. We appreciate that in many cases the draft audit takes note that the Authority is already taking steps to improve its operations based on recommendations made earlier by the LAO, as well as on findings in your draft audit.

We do believe, however, that the report's inflammatory title is overly aggressive considering that the contents of the audit's findings are not equally scathing. While the Authority is appreciative that the report in its entirety reflects more objectively the challenges of a state entity in transition from a planning body to one responsible for implementing a large-scale public infrastructure project, we also appreciate that not all Californians are able to read each and every word in the audit report and therefore may be mislead by the title and headlines contained within. ①

The audit report's detail correctly describes the enormity and complexity of the high-speed train project. It also correctly describes the organizational structure of the Authority and the recent budget changes that have occurred to supplement staffing. It's important to note that staffing levels have been a concern of the Authority Board for some time, and which it has therefore taken significant action to address. This includes contracting out for an organizational assessment and working quickly to hire a chief executive officer.

---

* California State Auditor's comments appear on page 47.

This is a historic project for California, which has the potential to bring tens of thousands of jobs to the state in the near term and bring improved mobility, increased economic strength, and environmental benefits in the long-term. The Authority is committed to building the high-speed train system in a responsible way that reflects the will of the people of the state, and in that task, we are grateful for the partnership and additional oversight of entities such as the Bureau of State Audits.

Our response to the draft audit report follows the recommendations presented at the end of the report. Our responses are contained in the attached document.

With appreciation,

(Signed by: Curt Pringle)

Curt Pringle, Chairman
California High-Speed Rail Authority

Attachment

Elaine M. Howle
April 19, 2010

Attachment

General Response

- The Authority is committed to transparency and believes strongly that additional spotlight on our operations will ultimately make for a better high-speed train project for the state. The Authority appreciates the input and recommendations from the Bureau of State Audits, and agrees with its recommendations.
- We believe the audit process has identified areas where the Authority can improve its administrative processes and project oversight. We appreciate that in many cases the draft audit takes note that the Authority is already taking steps to improve its operations based on recommendations made earlier by the LAO, as well as on findings in your draft audit.
- We do believe, however, that the report's inflammatory title is overly aggressive considering that the contents of the audit's findings are not equally scathing. ①
- The draft audit report correctly describes the enormity and complexity of the high-speed train project. It also correctly describes the organizational structure of the Authority and the recent budget changes that have occurred to supplement staffing.
- This is a historic project for California, which has the potential to bring tens of thousands of jobs to the state in the near term and bring improved mobility, increased economic strength, and environmental benefits in the long-term. The Authority is committed to building the high-speed train system in a responsible way that reflects the will of the people of the state.

BSA Recommendations and Authority Responses

Recommendation: *The Authority should develop and publish alternative funding scenarios that reflect the possibility of reduced or delayed funding from planned sources . . . should detail the implications of variations in the level or timing of funding for the program and its schedule.*

Response: The Authority agrees that it is important to be aware and plan for funding scenarios that differ from the scenario we feel is most likely and have therefore presented those in our December 2009 Report to the Legislature. It is important to note that alternate scenarios would not vary in terms of the ratio of state to federal to private funding. Instead, alternate scenarios would be presented as lengthened timelines for construction and for bringing online revenue-based passenger service, which in turn would mean an increased project cost as inflation affects the cost of materials and labor.

Recommendation: *Authority should further specify the potential cost of revenue guarantees and who would pay for them.*

Response: The Authority agrees that, as we move from the environmental planning phase to an implementation phase, it will be important to further detail the concept of a minimum revenue guarantee, its cost and the entity we would propose to be responsible for such a guarantee. The Authority has already asked its financial consultant to address these issues within the context of the overall proposed procurement and risk-transfer strategy, which is scheduled to commence with a Request for Qualifications process late this year and with a Request for Proposals process in 2011. Additionally, we have been working with our legal counsel on this issue and will ask for a written opinion on the matter prior to bringing such a proposal before the Legislature.

Recommendation: *Authority should assure that it implements planned actions related to managing risk.*

Response: The Authority agrees that risk management is a top priority. Your report correctly notes that, to that end, the Authority in February 2010 hired a risk insurance manager, and that in March 2010 the Program Management Team revised its risk and mitigation development protocol. Additionally, in 2009, the Authority contracted for an independent organizational assessment, which was conducted by the firm KPMG. This assessment recommended an organizational structure that includes an office for "Project Controls & Risk Management," which would report directly to the Authority's chief executive officer. The Authority in November 2009 approved the recommended organizational chart and has been working, within the state hiring process, toward putting the staffing plan in place. One element of that is establishing an auditing office, which is an element of the Authority's 2010-11 annual budget request.

Recommendation: *Authority should ensure that the review group adheres to the Meeting Act of seek a formal opinion from the Office of the Attorney General regarding whether the review group is subject to this act.*

Response: The report correctly states that the Authority has received legal advice suggesting that the Independent Peer Review Group was not intended to be set up as a public entity operating within the structure required by Bagley-Keene. But we agree that this is a topic that merits clarity. To that end, the Authority will continue to work on this issue with its lead legal counsel (a deputy attorney general from the Office of the Attorney General). Additionally, the Authority will approach the Legislature with the Bureau of State Audits' question pertaining to its intent, in that the Independent Peer Review Group is a legislatively created entity. The Authority welcomes working with the Peer Review Group, and respects its independence.

Recommendation: *Authority should track expenditures for [administrative and preconstruction] activities and develop a long-term spending plan for them. It should also develop procedures and systems to ensure it complies with Recovery Act requirements.*

Response: The Authority thanks the Bureau of State Audits for its recommendation to develop a long-term spending plan for preconstruction activities and will do so. The Authority has already begun to bring online a database for tracking expenditures, which will include detailed provisions for monitoring expenditures by source and mechanisms to alert staff to potential problems. This database system is scheduled to be in place in May 2010. Regarding the Recovery Act, the Authority has already reached out to and begun working in cooperation with the Governor's Recovery Act Task Force, and will review all Recovery Act requirements and implement procedures to track compliance.

Recommendation: *Should amend the program management oversight consultant's work plan to include a critical review of progress reports for accuracy and consistency. Authority staff should also assure that the Program Manager revises its progress reports to include information on the status of promised products and services.*

Response: We agree that critical review of the Program Manager's monthly progress reports should be included within the Program Management Oversight consultant's scope of work. In fact, we already believed the consultant's scope of work to be inclusive of this task, and the Program Management Oversight consultant is already engaged in the process of reviewing and assisting the Program Manager in revamping these important reports. Additionally, the reports have been the subject of two public meetings before the Authority's Operations Committee, the result of which is that a new reporting procedure has been put in place by the Board Committee. To provide greater clarity that this task is already underway and is a part of the Program Management Oversight team's scope of work, the Authority will explore explicitly calling out in writing this element of the consultant's work.

Recommendation: *Should ensure that staff adhere to controls for processing invoices . . . should not pay invoices from regional contractors until they receive notification from the Program Manager that the work billed has been performed, or until they have conducted an independent verification.*

Response: The Authority thanks the Bureau of State Audits for identifying this weakness in our protocols. While this verification and notification has indeed been occurring, it has often been informal and/or verbal. And though no improprieties have occurred as a result of the current process, the Authority agrees that this is a process that must be improved by being documented in writing. ② The Authority will formalize this process such that verification and notification is made routinely in written and therefore easily documented form.

Recommendation: *Authority should adhere to the conditions of its contracts and work plans, and make any amendments or modifications to work plans in writing.*

Response: The Authority agrees and will review all contracts and work plans to identify any that require modifications or amendments. Additionally, it should be noted that in January 2010, the Authority brought aboard a state employee assigned as contract manager to the Authority's regional engineering consultants with the responsibility to audit, oversee, and correct instances such as those described in the report.

Recommendation: *Authority should participate in the development of key policy documents, such as the Authority's business and strategic plans. Further, Authority members should adhere to their policies and procedures, including those outlining how they may communicate with contractors.*

Response: The Authority strongly agrees and appreciates that the Bureau of State Audits recognized in its report the Authority's increased participation in the project's development and details over the past eight months. The report notes that Board members were involved in the development of the strategic plan and the business plan, but that involvement has already increased, with the Board Executive/Administrative Committee giving significant input into the strategic plan during an April 7 public meeting and the entire Board reviewing and unanimously approving an addendum to the business plan at an April 8 meeting. Additionally, in light of this draft audit report, the Board has been re-advised on its approved method for communicating with contractors, which is one subject of a revision/addition to the Authority's Board Policies & Procedures, which was discussed April 7 in a Board Committee meeting and will be brought back to a May or June Board meeting.

Elaine M. Howle
April 19, 2010

Recommendation: *Authority should ensure its written policies and procedures reflect intended controls over invoice processing and offer sufficient detail to guide staff. These procedures should include steps for documenting implementation of invoice controls.*

Response: The Authority will review its contract administration manual and will identify areas, such as controls over invoice processing, to make certain that policies and procedures are adequately detailed in a manner that ensures effective controls are in place. For deficient or missing policies, staff will prepare them and communicate them to staff responsible for invoice payments.

Comments

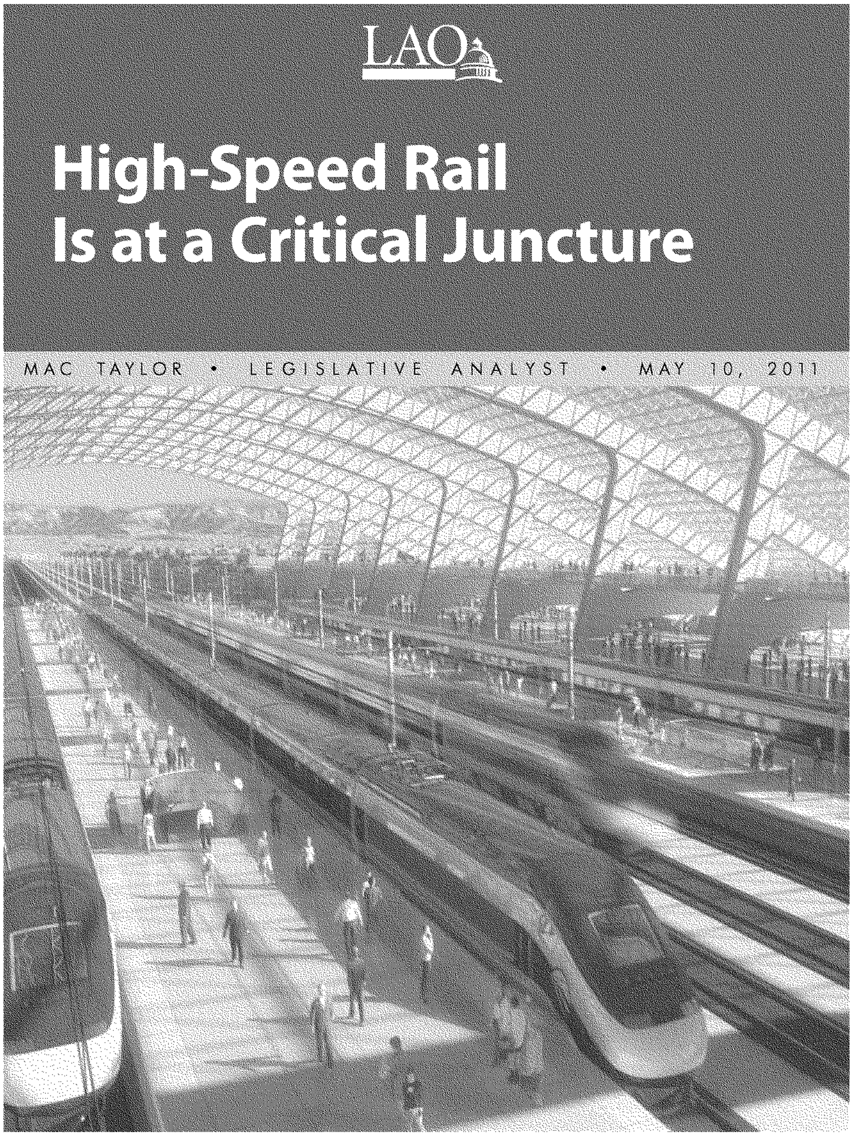
CALIFORNIA STATE AUDITOR'S COMMENTS ON THE RESPONSE FROM THE HIGH-SPEED RAIL AUTHORITY

To provide clarity and perspective, we are commenting on the response to our audit report from the High-Speed Rail Authority (Authority). The numbers below correspond to the numbers we placed in the margins of the Authority's response.

① We disagree. The title accurately characterizes the risks the Authority faces, given our findings. In fact, in responding to our recommendation to develop alternate funding scenarios, the Authority states that such scenarios would be presented as lengthened timelines, which in turn would mean an increased project cost. Such language suggests the potential for delays in the high-speed rail program. Further, we discuss the risk of an incomplete system on pages 19 through 21 of the report.

② This is the Authority's observation. We did not make a determination whether work billed has been performed, as Authority staff only documented two notifications for 22 invoices we tested.

cc: Members of the Legislature
Office of the Lieutenant Governor
Milton Marks Commission on California State
Government Organization and Economy
Department of Finance
Attorney General
State Controller
State Treasurer
Legislative Analyst
Senate Office of Research
California Research Bureau
Capitol Press



LAO

High-Speed Rail Is at a Critical Juncture

MAC TAYLOR • LEGISLATIVE ANALYST • MAY 10, 2011

EXECUTIVE SUMMARY

California's proposed high-speed rail project would link the state's major population centers, including Sacramento, the San Francisco Bay Area, the Central Valley, Los Angeles, the Inland Empire, Orange County, and San Diego. The most recent cost estimate for completion of the first phase of the project is roughly $43 billion. In November 2008, voters approved Proposition 1A, which allows the state to sell $9 billion in general obligation bonds to partially fund the development and construction of the high-speed rail system. In addition, the state has received roughly $3 billion from the federal government for its construction. The California High-Speed Rail Authority (HSRA) recently approved plans to begin construction in fall 2012 on a portion of the system costing roughly $5.5 billion through the Central Valley that spans from north of Fresno to north of Bakersfield. The Legislature will likely be asked to appropriate much of the funding for this initial segment in 2012-13.

A Number of Problems Threaten Successful Development of High-Speed Rail. In this report, we describe a number of problems that pose threats to the high-speed rail project's successful development as envisioned by Proposition 1A. For example, the availability of the additional funding assumed in a 2009 business plan as necessary to complete the project is highly uncertain and federal deadlines and conditions attached to the funding already provided to the state would limit the state's options for the successful development of the system. In addition, the existing governance structure for the project is inadequate for the imminent development and construction stages and the Legislature lacks the good information it needs to make critical multi-billion dollar decisions about the project that it will soon face.

Legislative Actions Could Improve Likelihood of Project's Success. The Legislature faces some challenging choices about whether to continue with a project that, despite the problems outlined above, could have some reductions in other spending for transportation improvements as well as air quality and other environmental benefits. If the Legislature chooses to go forward with the high-speed rail project, we have concluded that two key steps could be taken now to improve the likelihood of its successful development. First, the Legislature needs more time and greater flexibility to make critical decisions relating to the project. This would require modifications to the federal restrictions that have been imposed on the project regarding the timing of the expenditure of these federal funds, as well as to a federal administrative decision to require that they all be spent building an initial section of the rail line in the Central Valley. Second, significant improvements are needed in the way both day-to-day and longer-term strategic decisions are made. We have concluded that the current governance structure for the project is no longer appropriate and is too weak to ensure that this mega-project is coordinated and managed effectively.

LAO Recommendations. We recommend that the Legislature take the following actions to increase the likelihood that the high-speed rail project will be developed successfully:

- ***Fund Only Needed Administrative Tasks for Now.*** We recommend that the Legislature reject the administration's 2011-12 budget request for $185 million in funding for consultants to perform project management, public outreach, and other work to develop the project, and only appropriate at this time the $7 million in funding requested for state administration of the project by HSRA.

- ***Seek Flexibility on Use of Federal Funds.*** We propose that the Legislature direct HSRA to renegotiate the terms of the federal funding awarded to the state by the Federal Rail Administration (FRA). We believe the state must obtain relief from the current federal restrictions on the project if it is to be developed successfully, and therefore that the Legislature should proceed with the project only if this flexibility is obtained from the federal government.
- ***Reconsider Where Construction of the Line Should Start.*** If the federal flexibility proposed above is obtained, we recommend that the Legislature further direct HSRA to reevaluate which segment or segments should be constructed first based on criteria determined by the Legislature, such as potential statewide benefits from building a particular segment and whether a selected segment could generate the ridership and revenues to be financially viable on its own. The HSRA would be authorized to subsequently seek a budget augmentation to fund the development of whatever segment the Legislature approves based upon these new criteria.
- ***Improve the Way Project Decisions Are Made.*** We recommend that the Legislature pass legislation this session that shifts the responsibility for the day-to-day and strategic development of the project from HSRA to the California Department of Transportation (Caltrans). A new and separate division of Caltrans dedicated to the high-speed rail project would be better positioned, if equipped with the appropriate project delivery tools, to manage the development of the system in this phase. In addition, we recommend that the Legislature remove decision-making authority over the high-speed rail project from the HSRA board to ensure that the state's overall interests, including state fiscal concerns, are fully taken into account as the project is developed.

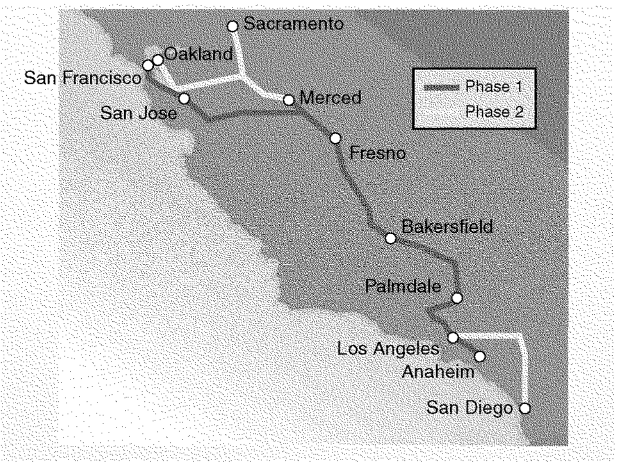
BACKGROUND

The HSRA is responsible for planning and constructing an intercity high-speed train that is fully integrated with the state's existing mass transportation network. The train system would link the state's major population centers, including Sacramento, the San Francisco Bay Area, the Central Valley, Los Angeles, the Inland Empire, Orange County, and San Diego (as shown in Figure 1). The California High-Speed Rail Act of 1996 (Chapter 796, Statutes of 1996 [SB 1420, Kopp]) established HSRA as an independent authority consisting of a nine-member board appointed by the Legislature and Governor. In addition, the HSRA has an executive director, appointed by the board, and a staff of less than 20. Most work is carried out by consultants under contracts with HSRA.

In November 2008, voters approved Proposition 1A, which allows the state to sell $9 billion in general obligation bonds to partially fund the development and construction of the high-speed rail system. In addition, the state has received roughly $3 billion from the federal government for the cost of construction. The remaining funding for the system's construction and operation is anticipated to come from the federal and local governments, as well as the private sector. The HSRA's most recent cost estimate for completion of the first phase of the project as defined by Proposition 1A, from San Francisco to Los Angeles and Anaheim via the Central Valley, is roughly $43 billion. The HSRA recently approved plans to begin construction in fall 2012 on a portion of the system through the Central Valley that spans from north of Fresno to north of Bakersfield. It is estimated this portion will cost roughly $5.5 billion. The Governor's January budget plan proposes to allocate $192 million for HSRA activities for 2011-12.

Figure 1

High-Speed Rail Segments by Phase



A NUMBER OF PROBLEMS THREATEN SUCCESSFUL DEVELOPMENT OF HIGH-SPEED RAIL

California's high-speed rail project is quickly picking up pace, with plans to spend billions of dollars in the next few years. A number of serious problems, however, threaten the successful development of the high-speed rail project. They include:

- The availability of the funding necessary for the new system is highly uncertain.
- Federal project requirements limit the state's options for development of the system.
- The HSRA's structure and staffing levels are inadequate for its changing role.
- The Legislature lacks good information for decision making.

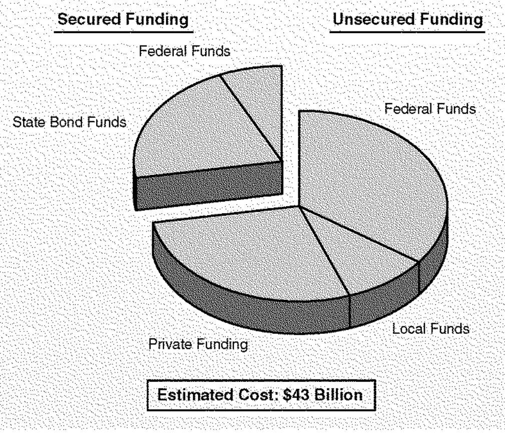
Availability of the Funding Necessary for New System Highly Uncertain

The *2009-10 Budget Act* required HSRA to submit to the Legislature a revised business plan by December 15, 2009, as well as a review of this plan by our office. Figure 2 shows the project's anticipated funding sources as described in the business plan, as well as what portion of this funding has been secured as of April 2011. In our review of the business plan in early 2010 we concluded that its funding assumptions are optimistic and that it is unclear how the state will be able to secure the necessary funding to complete the project. Specifically, we found that the business plan includes unrealistic assumptions about the receipt of federal funds to build the project, no discussion of the challenges of additional General Fund debt-service costs, as well as a lack of identified sources for the other funding assumed in the business plan to complete a high-speed rail system. In addition, the plan indicated the potential need for a state operating subsidy, which would be contrary to explicit provisions in Proposition 1A. We discuss these potential problems in more detail below.

Federal Funding Assumptions Appear Unrealistic. The HSRA's latest business plan assumes the state will receive $17 billion to

Figure 2

Proposed High-Speed Rail Funding for Development and Construction



$19 billion from the federal government for construction of the high-speed rail system. To date, HSRA has secured roughly $3.6 billion in federal funding for development of the project. Of that, roughly $3 billion is dedicated to the construction of the system; $400 million was given to the developers of the San Francisco Transbay Transit Center, one of the planned high-speed rail stations; and nearly $200 million will be used by HSRA for project-wide preliminary engineering and environmental clearance work. The HSRA indicates that without additional significant federal support beyond that provided to date, the project cannot be completed. Given the federal government's current financial situation and the current focus in Washington on reducing federal spending, it is uncertain if any further funding for the high-speed rail program will become available. In contrast to the interstate highway system, which was constructed with the dedication of funding from the federal excise tax on gasoline, federal funding for high-speed rail is not supported by a dedicated revenue stream and therefore must compete with other annual federal funding priorities.

State Would Incur Major Additional Debt Service Costs. The 2009 business plan assumes that $9 billion in state funding for the project will come from the sale of general obligation bonds approved by voters in Proposition 1A. The debt service payments on general obligation bonds are typically paid for from the state's General Fund. We estimate that, should the state sell all of the $9 billion in voter-approved high-speed rail bonds, the state's total principal and interest costs for repaying the debt would be $18 billion to $20 billion. This would require annual debt service payments of roughly $1 billion for the next two decades. Due to the dire condition of the state's General Fund, adding such costs for debt service in the near future means that the Legislature would have to consider reducing costs for other state programs or increasing revenues to offset these costs.

Basis for Assuming Other Funding Contributions Is Unclear. The 2009 business plan assumes that $14 billion to $17 billion of the project's construction costs would be paid with funds from local agencies and private partners. The bulk of this funding is expected to come from the private sector when the state enters into some form of public-private partnership (PPP), or contractual agreement with private partners to complete and operate the high-speed rail system. The amount of funding available from these sources will be highly dependent on the business model chosen for the system. For example, if HSRA ultimately decides to share the tracks built for the new train system with commuter rail operators in certain metropolitan areas, those local agencies might have an incentive to contribute local revenues to the construction of the project because the improvements would ultimately benefit the operations of local systems. This would not be the case, however, if the business model chosen by HSRA did not share the tracks and instead maintained the rail line purely dedicated to its own trains. The HSRA could choose not to share tracks for a variety of reasons, such as safety concerns or a determination that it needed all the rail capacity for its own service. The current HSRA business plan does not provide any details about the business model and how, as it now assumes, it will attract substantial funding from local agencies and private partners to build the system.

Potential Need for Operating Subsidies Could Lead to General Fund Cost Pressures. The HSRA's business plan indicates that the initial costs of operating a high-speed rail system may exceed $1 billion per year. However, Proposition 1A requires HSRA to submit a funding plan which certifies that, once complete, the planned high-speed rail passenger service will not require a local, state, or federal operating subsidy. This certification must occur prior to requesting any appropriation of the $9 billion in state bond funds for capital costs. Notwithstanding the provisions of Proposition 1A, the state could discover during development or after construction has been completed that the system needs such a subsidy in order to operate. If the train does not attract the number of riders projected, for example, operating revenues would likely be less than expected. The train line would then need funding from some other source to operate. Absent the identification of another source of operating funds for the train system, this situation could place an additional financial pressure on the state's General Fund.

Federal Project Requirements Limit State's Options

As noted earlier, the state so far has received a commitment of $3.6 billion of federal funds for the development of the state's high-speed rail system. The FRA, which is responsible for administration of federal railroad assistance and rail safety programs, has attached specific requirements to the roughly $3 billion portion of that funding which was designated specifically for construction of the high-speed rail line. Below, we discuss some of the challenges for the project created by these federal restrictions.

Federal Funds Deadlines and Requirements Led to Risky Decisions. A large portion of the federal funding dedicated so far to California's high-speed rail project came with strict deadlines that may be difficult for the state to meet. Moreover, federal authorities are also requiring that nearly all of these funds be spent building an initial section of the train line in the Central Valley that, by itself, would have insufficient ridership and revenues to stand on its own.

About $2.3 billion of the $3 billion in federal funds awarded to the state for construction of the rail system come from the 2009 federal economic stimulus legislation, titled the American Recovery and Reinvestment Act (ARRA). The FRA initially required that the state obtain environmental clearance of the segment of the project financed with ARRA funds by September 2011. (In this report we use the terms segment, corridor, and route interchangeably without regard to potential technical distinctions in state law.) In addition, the FRA required that the ARRA funds be expended by 2017 and indicated that the state must forfeit any ARRA funds that are unspent by that time. (The remaining $715 million of federal funding awarded to California for high-speed rail purposes is not subject to the same deadlines as the ARRA funds.)

In November 2010, the FRA announced that it will require all federal funds for construction awarded to the state as of that time be spent on a segment of the rail line planned for the state's Central Valley. According to FRA, this decision was driven by the deadlines discussed above. Specifically, FRA concluded that the segments most likely able to meet the 2017 deadline for expenditure of ARRA monies were in the Central Valley in part because, at the time, there was little public opposition to this portion of the project which potentially could slow the project down.

Largely as a result of these federal deadlines and requirements, HSRA decided in December 2010 to begin the construction of the statewide system within the Central Valley. This decision by HSRA, however, represents a big gamble that additional monies will eventually become available from the federal government or other sources to connect the Central Valley line to other major urban areas of California. The authority acknowledges that operation of the Central Valley segment by itself is infeasible because the potential ridership of a high-speed rail line within that segment alone would be insufficient to operate the system without a substantial subsidy.

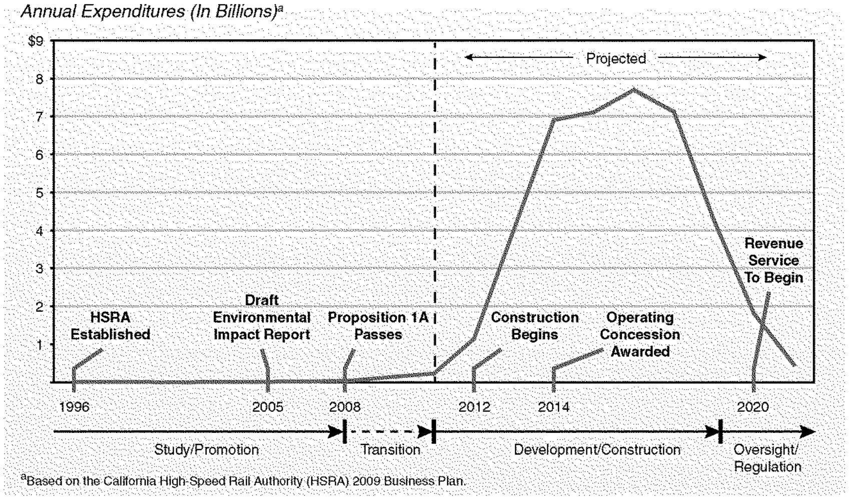
It now appears, however, that this risky decision by HSRA was based on faulty assumptions. After HSRA approved the Central Valley section, the FRA dropped the September 2011 deadline for environmental clearance work. Moreover, the assumption that construction of the Central Valley segment could move quickly because of a lack of public opposition has already proved to be unfounded. Significant local opposition has arisen, relating largely to concerns over how the alignment of the tracks could affect agricultural operations, which has cast into doubt whether the 2017 deadline for expending all the ARRA funds can be met.

HSRA Structure and Staffing Levels Inadequate for Its Changing Role

The HSRA was initially created in 1996 to direct the development and implementation of a California high-speed rail line that is fully integrated with the state's existing intercity rail and bus network. As described earlier, HSRA consists of a nine-member board (five members appointed by the Governor, two appointed by the Senate Rules Committee, and two by the Speaker of the Assembly), an executive director appointed by the board, and staff to support the project. Voter approval of Proposition 1A in 2008 shifted its role from development of the system to one of overseeing the construction of what experts often refer to as a "mega-project." The HSRA is now responsible for delivering one of the country's largest transportation infrastructure projects. The timeline in Figure 3 shows how HSRA's role and annual funding levels have changed since 1996 and are proposed to significantly change in the future. As the figure indicates, annual funding levels for the project have been relatively low compared to the large increases in expenditures anticipated in the near future when the project begins construction.

Figure 3

Proposed Timeline and Cost of High-Speed Rail Implementation



[a] Based on the California High-Speed Rail Authority (HSRA) 2009 Business Plan.

However, our analysis indicates that HSRA's operational structure and staffing practices have not kept pace with the project's changing demands. Below, we describe how these problems could hinder the effective management and oversight of the high-speed rail project.

Structure of HSRA Board Is Problematic. To date, the Legislature's major role in the development of the high-speed rail project is the appropriation of funding each year. State law otherwise grants the HSRA board considerable authority over the project, including the award of multi-billion dollar contracts and concessions as well as the choice (within voter-approved parameters) as to when and where the train will be constructed and eventually operated.

The considerable autonomy granted to the HSRA board under current state law, however, does not ensure that the board keeps the overall best interests of the state in mind as it makes critical decisions about the project. Upon their appointment to the panel, board members receive four-year terms and are not subject to direction by the executive branch. Nor are gubernatorial appointees to the board subject to a legislative confirmation process. This relative lack of accountability to either the executive or legislative branches creates a risk that the board will pursue its primary mission—construction of the statewide high-speed rail system—without sufficient regard to other state considerations, such as state fiscal concerns.

Arguably, some board decisions, such as its selection of the Central Valley segment as the starting place for construction of the system, have already demonstrated such weaknesses in the structure of the board. While that decision at the urging of federal authorities did advance the primary mission of the board to complete the high-speed rail project, it raises concerns that the board did not sufficiently consider the fiscal risks to the state if additional monies to complete construction of the line into a more urban area do not materialize. Moreover, HSRA pledged at the time to provide a dollar-for-dollar match of ARRA funds even though no match was required, committing more state bond dollars and debt-service payments than necessary to secure the federal funding.

Another concern is that, under the current statute that created HSRA, appointees to the board are not required to have the specific expertise that would be helpful in the management of a construction project of this magnitude, such as a background in engineering or construction management, infrastructure finance, or rail system management.

Heavy Reliance on Consultants May Increase Risks to State. Before the passage of Proposition 1A, the HSRA maintained a staff of roughly seven positions and conducted oversight of a relatively small number of consultants developing the general approach for building the high-speed rail system. After the voters approved the bond funding for the project, the number of consultants working on its implementation increased significantly. At the time we prepared this analysis, the HSRA operated with a staff of approximately 19 filled positions and a team of consultants that is the equivalent of 604 positions. While HSRA is authorized to have a staff of 40, vacancies have persisted largely because of hiring freezes imposed in recent years in response to the state's severe fiscal difficulties. If all of the authorized state positions were filled, the ratio of state employees to consultants would be 1 to 15. As things stand, with only 19 state workers actually in place, the ratio is 1 state employee for every 33 consultants.

Representatives of the HSRA contend that successful oversight of this type of project is not dependent on the number of state workers available to oversee its consultants but rather on the ability of staff to manage certain necessary functions, such as contract management and oversight, financial and operational plan development, and risk management. According to HSRA staff, similar mega-projects worldwide have succeeded with between 60 and 80 staff fulfilling these critical functions. Recent state reviews, however, challenge the authority's contentions. For instance, in 2010, the State Auditor found that although HSRA generally followed state requirements for awarding contracts, its processes for monitoring the performance and accountability of its contractors are inadequate. In addition, the auditor found that HSRA paid at least $6.9 million in invoices from its consultants without verifying that the work reflected on the invoices was actually performed. A review by the state Office of the Inspector General included similar findings and raised additional concerns about HSRA's ability to oversee the consultants on the project. Based on these findings, it is questionable whether the current number of state employees at HSRA can effectively manage such a large team of consultants.

The Legislature Lacks Good Information for Decision Making

In general, the availability of good data leads to better decision making. However, our analysis indicates that the Legislature suffers from a lack of good information that is needed to make decisions about the appropriation of funds for the high-speed rail project. Given the very large size of this project, its extended construction timeline, and the novelty of this type of project for California, it is reasonable that some key project decisions must be based on the best available analysis and assumptions rather than hard numbers. For example, it is unlikely that any ridership or revenue forecast is going to give a definitive, reliable answer to whether the high-speed rail system can be successfully completed and operated without significant state support. However, in other cases, HSRA has not shared critical information with the Legislature. For example, while HSRA has provided an estimate of the cost of the part of the line between San Francisco, Los Angeles, and Anaheim, it has not provided its estimate of the total cost of all phases of the project that go beyond this route. Below, we discuss some of the information gaps that are making it more difficult for the Legislature to make decisions about the project.

Project Lacks a Detailed Business Plan. Our review indicates that the Legislature lacks a detailed business plan to guide multi-billion-dollar decisions it must make about high-speed rail projects. Such a plan would include, at a minimum, updated cost estimates, anticipated funding amounts and sources adjusted to reflect current political and economic realities, a range of forecasted ridership and revenue estimates, a proposed business model, and a discussion of risks the project may encounter. The existing business plan was prepared in 2009 and, while it included all of the information that was statutorily required at the time, it lacks adequate detail for the Legislature to use to make major funding decisions. The lack of detail prompted the Legislature to adopt budget bill language in 2010 requiring HSRA to provide this kind of information. However, this language was later vetoed from the budget bill by the Governor. The HSRA has committed to providing an updated business plan in October 2011. At the time this report was prepared, however, the Legislature had received little of the information it needs to decide what activities it should fund in the 2011-12 budget plan and beyond.

Cost Estimates Outdated and Likely Understated. Based on our analysis, the high-speed rail project is likely to cost much more than the $43 billion originally estimated by HSRA for the first phase from San Francisco to Anaheim. That estimate was prepared in 2009 based on very preliminary information concerning which alignments would be selected for the track and what the design of the system would look like.

For example, based on the state's agreement with FRA, the cost of the initial construction segment between Fresno and Bakersfield alone is now estimated to be $4.5 billion, which is 57 percent greater than was assumed in the original plan. As shown in Figure 4, the costs for program management, final design, and construction are each significantly higher for the 100-mile Central Valley segment now planned for construction than compared to the full 120-mile segment originally proposed from Fresno to Bakersfield. (This initial construction segment estimate also does not include the cost of completing the line into Bakersfield, nor the $200 million station planned for that city.)

If the cost of building the entire Phase 1 system were to grow as much as the revised HSRA estimate for the 100-mile segment discussed above, construction would cost about $67 billion. This extrapolation of costs, however, is based on the cost increase for a relatively straight-forward and uncomplicated segment of the proposed rail line. It is possible that some of the more urban segments could be even more significantly underestimated. The uncertainty surrounding the eventual cost of the system represents a significant challenge to the Legislature's ability to make sound decisions about appropriation for the project.

Figure 4

Comparison of Costs for Fresno to Bakersfield Segment

(Dollars in Millions)

	2009 Estimate	2011 Estimate
	Fresno to Bakersfield	Initial Construction Segment
Estimated Length of Segment in Miles	**120**	**100[a]**
Project Component		
Program Management	$361	$667
Real property acquisition and early work	603	583
Final design and design-build construction contracts	1,879	2,912[b]
Project reserves and unallocated contingency	—[c]	309
Total	**$2,843**	**$4,471**
Increase in Project Costs		**57%**

[a] The initial construction segment ends just outside Bakersfield.

[b] Excludes the Bakersfield station included in the 2009 estimate.

[c] Reserves and contingency funding are included in the estimated construction costs of the 2009 estimate.

GOVERNOR'S 2011-12 BUDGET WOULD MOVE PROJECT AHEAD

The Governor's proposed budget for HSRA generally follows the schedule outlined in the most recent high-speed rail business plan. This proposal would fund HSRA at a level that is comparable to the level of funding it is receiving in the current year. The proposal is significant because it moves the project ahead as planned. As a result, the Legislature may be asked to appropriate billions of dollars in 2012-13.

The budget plan includes $192 million to fund HSRA activities ($90 million in federal funds and $102 million in Proposition 1A bond funds). Almost all of the funding ($185 million) is for work that will be performed by consultants. This includes contracts for program management, financial consulting, public outreach, and work on the development of the high-speed rail system. In March 2011, the Legislature passed (but has not yet sent to the Governor) SB 69 (Leno), a state budget bill which would appropriate the $7 million in funding for HSRA's state administrative costs. This is an increase of roughly $1 million from the current year's administrative budget, primarily due to increased intergovernmental contract costs (as described below).

Budget Proposes Increased Funding for State Legal and Administrative Services. State law requires that all state agencies use the Department of Justice (DOJ) as legal counsel, unless specifically exempted by law. As the project moves forward, HSRA is increasingly in need of legal support for activities such as the project's environmental process, land acquisition, and contracting for construction. Because of this, the budget includes a request for additional funds for legal work performed by DOJ. In addition, HSRA contracts with the Department of General Services (DGS) for accounting, administrative, and personnel services. While it is common for small departments to have such contracts, larger departments such as Caltrans often have in-house, specialized staff to accomplish this work.

Major Budgetary Decisions Are Looming. The Legislature will face some major decisions about the appropriation of billions of dollars in state and federal funds beginning in 2012-13. In that fiscal year, HSRA plans to enter into a number of large design-build construction contracts which, in contrast to traditional construction procurement processes, award the design and construction of a project to a single entity. Some of the design-build contracts could be worth more than a billion dollars. The Legislature will likely be asked to appropriate the state and federal funding for entire, multiyear contracts in 2012-13 so that HSRA can award these types of contracts.

This situation poses a dilemma for the Legislature. Because these huge appropriations are not needed now, they are not formally before the Legislature as part of the 2011-12 budget plan for HSRA. On the other hand, unless directed otherwise, HSRA will proceed during the interim with extensive development activities based on its decisions about the project, such as its choice of the initial Central Valley segment for construction. If the Legislature has concerns about the path the high-speed rail project is on, it will diminish its opportunity to have meaningful input over such issues as the location of the first construction segment if it waits until 2012-13 to do so.

THE LEGISLATURE FACES CHALLENGING CHOICES

Given the significant challenges to the high-speed rail project, and the large and looming budgetary decisions, the Legislature faces some near-term challenging choices. Should the state continue with the project as planned, slow it down dramatically and attempt to address some of the problems that threaten its success, or stop the project completely? At the root of this decision is whether the significant potential benefits of moving forward with the project outweigh the significant risks to the state. Unfortunately, at this time, there is little reliable information available to inform this decision.

Project Could Have Some Positive Outcomes. The proposed high-speed rail system could have some positive fiscal benefits. For example, HSRA estimates that this project would alleviate the need to build 3,000 new lane-miles of freeway, and 5 airport runways and 90 new departure gates—at a cost of nearly $100 billion—that would otherwise be necessary to accommodate intrastate travel by 2030. This is because the state's population is projected to grow steadily for decades and significant investment in transportation infrastructure is expected to be needed to accommodate travelers between Northern and Southern California. In theory, if those travelers choose the high-speed rail system instead of other modes, the project could reduce the state's overall infrastructure costs.

In addition, beginning construction of the project could have some positive effects on the state's economy. For example, the infusion of federal funds and potentially other private funds from outside the state, such as international partners who might invest in the project, would benefit the overall economy at least in the short run. Some work, such as the construction of rail cars, could be performed by California firms.

However, it is unclear how much of the funding allocated for high-speed rail would be spent in California. Because California has never before built this mode of transportation, some out-of-state or international firms may have the critical expertise needed by the state to successfully build such a large-scale and complex rail system. For example, according to the Bureau of Labor Statistics, 97 percent of all operators of the track-laying equipment that HSRA indicates it would use for the project reside in other states. To the extent that the state procures the services of firms from outside of California to develop and construct the rail line, as well as to obtain rolling stock and equipment for the system, the overall economic benefit to the state could be diminished.

Finally, some have argued that investing in high-speed rail infrastructure instead of other modes of transportation could lead to improved environmental outcomes, such as better air quality. This is because the proposed system will be electrically powered and not require fossil fuels the way most automobiles and aircraft currently do. However, other studies have suggested that the project may not realize such improved environmental outcomes, especially if levels of ridership were low to moderate.

If Project Moves Forward, Changes Needed to Increase Likelihood of Its Success. Given the threats to the project that we described earlier, we have concluded that the Legislature should only proceed with the project if two significant changes in direction occur. First, the Legislature needs more time and the flexibility to make critical decisions relating to the project, even though this would require modifications to the federal restrictions that have been imposed on the project. Second, given the magnitude of the state's investment in the project, significant improvements are needed in the way both day-to-day and longer-term strategic decisions to manage the project are made. We have concluded that the current governance structure for the project is no longer appropriate and is too weak to ensure that this mega-project is coordinated and managed effectively. These changes in governance need to be made soon, in our view, because HSRA has already begun the process to move toward the award of multi-billion dollar construction contracts for the project. We describe in more detail below the specific changes in direction that we have concluded are necessary.

STATE NEEDS MORE TIME AND FLEXIBILITY TO DEVELOP PROJECT

As mentioned earlier, the FRA has imposed some impractical restrictions on the development of California's proposed high-speed rail system. If the state were granted flexibility from the federal government to spend federal funding on a more reasonable timeline, and where it will have the most benefit, the project's chances of success could be significantly improved in a way that might also better accomplish some of the federal program's stated goals in funding the project.

Flexibility Regarding Federal Restrictions Is Needed. Based on our analysis, we recommend that the state seek substantial additional flexibility regarding the federal restrictions on the project. First, the state needs more time than federal authorities are currently allowing to critically evaluate which segment or segments should be constructed first. Second, the state should be allowed to choose the segments to be constructed. Among the critical factors that we believe the state should consider in choosing a segment for construction are: (1) whether a passenger rail system on a selected segment could generate the ridership and revenues to be financially successful and operate without a state subsidy; (2) how much of the segment could be completed with the funds now available; and (3) the potential benefits from building a particular segment, including its potential impacts on traffic congestion and air quality. The nearby text box (see next page) describes some alternative segments within Phase 1 that our analysis indicates should be carefully evaluated because of their potential to provide greater overall benefits to the state than the Central Valley route.

Whatever routes were chosen as a result of this additional evaluation, gaining the additional federal flexibility needed to take more time on this critical decision could pay other dividends. For example, it might better enable the state to properly prepare environmental documents necessary for the project to move forward and decrease the likelihood of delay from litigation. Such project delays can endanger the state's ability to meet deadlines as well as increase the overall cost of the project.

More Flexibility Could Help the State Meet Federal Goals. Putting a hold on the Central Valley segment, and asking the federal government for more flexibility to examine this and other alternatives more carefully, carries the inherent risk that the state could lose some or all of the committed federal funding. However, we believe it is likely that the federal government would ultimately work with the state to grant more flexibility, for the following reasons.

- ***California Offers a True High-Speed Rail Option.*** The federal administration has prioritized dedicated high-speed rail projects, or projects that result in trains running at speeds of over 110 mph and generally do not share tracks with freight rail. California's project is currently the only federally funded high-speed rail system in the country. (Some federally funded "high-speed rail" projects in other states would incrementally improve existing passenger rail services, but none of these are dedicated high-speed rail projects.) For this reason, it is in both FRA's and the state's best interests that the project succeed.

- ***Federal Authorities Are Already Showing Flexibility.*** The FRA has already demonstrated a willingness to adjust timelines in order to accommodate the state. For example, the state was recently granted more time to complete the environmental clearance on the initial construction section to give the contractors an opportunity to identify ways to reduce the cost of construction. In addition, in February 2011, the President issued a memorandum to all federal agencies directing them to provide more administrative flexibility to

ALTERNATIVE SEGMENTS COULD PROVIDE MORE BENEFIT TO THE STATE

For several reasons discussed earlier, there is a significant risk to the state that the statewide high-speed rail system envisioned in Proposition 1A will never be fully completed. It is possible that only a segment or two of the system will ultimately be constructed. The High-Speed Rail Authority has chosen to begin construction of the system on a 123-mile segment from near Fresno to Bakersfield. If this is the only portion of the system built, the state would realize some service improvements for the San Joaquin intercity rail corridor, such as shorter trip times and better on-time service. This intercity rail service currently runs six trains daily in each direction. However, based on our analysis, other segments could provide greater benefit to the state's overall transportation system even if the rest of the high-speed rail system were not completed. Below, we describe three segments that warrant consideration as alternatives to the Central Valley line.

- ***Los Angeles-Anaheim.*** This highly travelled corridor includes commuter, freight, and intercity rail traffic, which could benefit greatly from corridor improvements along the alignment shared with the proposed high-speed rail system. Fifty passenger trains run daily through this corridor, at times sharing tracks with roughly 75 freight trains. In addition, grade separations that could be built as part of a high-speed rail project would improve the flow of auto traffic along the corridor because vehicles would no longer have to stop and wait for passing rail. Finally, to the extent improved passenger rail service in this corridor led to increased ridership, it could reduce pressure on other transportation modes and decrease the need for infrastructure projects that expand the capacity of the roads.

- ***San Francisco-San Jose.*** Similar to Los Angeles-Anaheim, capital projects in this heavily congested corridor could improve both rail and auto traffic. This segment currently hosts 86 commuter trains daily, and freight trains use it at night.

- ***San Jose-Merced.*** The state provides intercity rail service from Sacramento to Merced (and on to Bakersfield), and a separate rail service between Sacramento and San Jose. If the state chose the segment between San Jose and Merced for a high-speed rail project, the state would essentially "close the loop" and enable a significant increase in passenger rail mobility between the Central Valley and the Bay Area. This benefit from high-speed rail construction would result even if high-speed trains ultimately were never operated on the system. A recent report prepared by a Bay Area transportation commission projects that the number of commuters traveling daily from the Central Valley to the Bay Area will double by 2030, adding 60,000 commuters a day.

state and local governments in order to improve outcomes in federally supported programs at a lower cost.

- ***Federal Authorities Could Get a Greater Payoff From Their Investment.*** Granting the state more flexibility from federal deadlines and restrictions could ultimately lead to greater achievement of the federal program's own policy goals. For example, in addition to ARRA's goals of creating jobs and stimulating economic recovery, the federal law was intended to improve the nation's energy independence, improve environmental quality, and make regional transportation systems more efficient. A better decision on where to start construction of California's high-speed rail system could lead to a greater payoff in each of these areas.

How Greater Federal Flexibility Could Be Achieved. A federal extension of the timeline for expending these funds could be accomplished in a couple of ways. Current FRA regulations require that the state spend federal funds and its state matching funds at the same time. Under one approach, the state could request that FRA adjust its regulations to allow the state to first spend the federal funds it has received and, after those funds have been fully spent, to spend the amount of state funds committed under the federal program. The amount of state funding committed to the project would not change—only the timing of when the funds are spent. This approach seems reasonable given that the ARRA funds required no match and therefore are being spent by other recipients in this way. Such a change would enable the state to spend the ARRA funds twice as quickly once construction begins and make the 2017 expenditure deadline more easily achievable.

In addition, FRA indicates that it has the administrative discretion to remove the current requirement that its grant award to California be used for construction of the high-speed rail line beginning in the Central Valley. Changing this requirement opens the possibility to begin construction anywhere on the proposed line between San Francisco, Los Angeles, and Anaheim. Such a change would give the Legislature more latitude to consider the state's interests when determining the initial construction segment of the high-speed rail system.

MORE EFFECTIVE GOVERNANCE COULD IMPROVE LIKELIHOOD OF PROJECT SUCCESS

If the Legislature chooses to move forward with the high-speed rail project, it could also address issues we have identified pertaining to the governance of the project—how both day-to-day and longer-term strategic decisions about the project are made and implemented. Our analysis indicates that a more effective governance structure could help to remedy some of the serious problems faced by the high-speed rail project and improve its chances for success. The concept of good governance is discussed in the nearby textbox (see next page).

Our analysis found no one best way to structure an organization to improve governance, and that there is no particular organizational structure that can guarantee effective governance. Management experts hold the view that an organization's structure should ideally be adjusted on a regular basis to reflect its current goals and the particular circumstances it faces, both of which can change dramatically, sometimes even within a few years' time. Ultimately, an appropriate organizational structure allows for the best decisions to be made that lead to the best outcomes.

Our analysis indicates that the current organizational structure for California's high-speed rail project does not meet these tests. For example, in our view, the current decision making process for the project does not ensure that this statewide effort, funded heavily with state bond funding, is developed primarily with the state's best policy and fiscal interests in mind. In the sections that follow, we explore several issues related to the way decisions are made about the project. In particular, we discuss (1) whether the project should be treated as a state project or a business enterprise and (2) options for modifying HSRA's organizational structure to improve the governance of the project.

Is This Phase of High-Speed Rail Development a State Project or Business Enterprise?

A first step toward improving the governance structure for the high-speed rail system is to consider the state's relationship to and responsibilities regarding the project. In other words, is the project at this phase of development principally a state effort, or should the state minimize its involvement and allow the project to be developed and administered like a business enterprise?

Because of the magnitude of this project and the length of time it is likely to take to develop and construct the project, the answer to this question will depend largely on which phase the project is in. Figure 3 shows the overall timeline and the different phases of implementation anticipated for the high-speed rail system. (The timeline for the project, which is based on HSRA's business plan, differs from that of a traditional PPP. We describe these differences in more detail in the textbox on page 19.) As we noted earlier in this analysis, the original role of HSRA was to explore the feasibility of creating a state high-speed rail system and to do some initial planning for the system. The state's role in the project is already changing dramatically as it begins the development and construction phase,

Characteristics of Good Governance

Governance refers to the process of decision making and how decisions are implemented. Public governance involves the management and control of public resources and the delivery of programs and services. According to numerous studies of national and international organizational management, good governance principles generally include:

- Participation—the involvement of key stakeholders.
- Accountability—holding decision makers responsible for what they say and do.
- Transparency—clarity and openness in the decision-making process.
- Responsiveness—addressing the priorities and expectations of the public.
- Efficiency—the extent to which resources are used without waste, delay, or negatively impacting future generations.

Effective governance structures are more likely to make decisions and take actions that define expectations, grant power, and ensure that performance meets expectations. Such an approach can better ensure the successful completion of large projects within budget and on time.

and would change again during its subsequent operation and maintenance. As a result, it is reasonable that the state's governance approach to the project should similarly evolve over time. We discuss these concepts in more detail below.

High-Speed Rail Is More Similar to Large State Projects During Development and Construction

Figure 5 summarizes some of the key characteristics of what we refer to in this report as state projects—meaning, projects in which state government plays the primary role in the day-to-day as well as long-term strategic decision making. The figure also summarizes the characteristics of what we refer to in this analysis as business

Figure 5

Characteristics of State Projects and Business Enterprises

Characteristic	State Project	Business Enterprise
Funded by General Fund dollars	X	
Funded by large amount of federal funds	X	
Financially self-supporting		X
Similar work done by private entities		X
Competes with private market to deliver services		X
Requires coordination with other levels of government	X	
Contractors perform most work	X	X
Use of eminent domain	X	
Oversight of public funds	X	
Completion of environmental studies and mitigation	X	
High level of accountability to the public	X	
Takes some risks to realize higher returns		X

HOW THE PHASES OF THIS PROJECT WILL DIFFER FROM TRADITIONAL PPPS

In all public-private partnerships (PPP), there is a point in the project's development when the public sector's involvement diminishes and the private partners take significant control. Generally, for transportation-related PPPs, this happens after the initial design, environmental clearance, and right-of-way acquisition occur, but before construction is fully under way. This is because it is often best for the public entity to bear the early risks to the project—such as right-of-way acquisition—because the public sector can use such tools as eminent domain to accomplish the task that are not available to the private sector. Typically, control of a PPP project is ceded to the private sector for later phases of a project's development in order to potentially lower the project's overall cost and to reduce the risks that the sponsoring public agency would otherwise bear for its development.

California's high-speed rail project will differ from this typical model because of the enormous cost and risk involved with the project. While a consortium of large firms can generally bear the risk of a project costing up to a few billion dollars, the High-Speed Rail Authority's (HSRA's) latest business plan indicates that this project will conservatively require $10 billion from the private sector to complete. According to HSRA, the high amount of risks and costs mean that the state will need to follow a different project development model. For this project, HSRA expects to spend most or all the public funding first and oversee the dozens of large construction contracts. Then, toward the completion of the project, HSRA expects that a private partner or consortium will provide funding to finish the system and procure rail cars, likely with a long-term operations and maintenance contract to recover its costs over time.

enterprises—activities for which the state cedes significant administrative responsibility and control to a more autonomous state agency or even a private partner.

Our analysis found that, during the upcoming development and construction phases, the high-speed rail project more closely resembles a state project. For example, state bond funds (with debt service costs paid for by the General Fund) will finance a significant portion of the project's costs. These monies are typically managed by the state rather than private or quasi-private entities. In addition, the success of the completed system will largely depend on its integration with local transit, the state's intercity rail, and the state highway systems. The high-speed rail project is also more like a state project in that, in order to complete its work, the implementing organization must engage in a number of activities traditionally accomplished by government rather than private enterprise. These activities include, for example, the use of eminent domain to acquire large swaths of property.

All of these factors suggest the need for a more "hands-on" involvement by the state at this phase in both day-to-day administrative and strategic decisions. At this stage of implementation, the high-speed rail project in many ways resembles the construction of the state highway system. The development of the state's highways was assigned to Caltrans, a department which, like most state departments and agencies, is subject to strong oversight and controls by both the executive branch and the Legislature, such as through the annual state budget process.

In contrast, California Housing Finance Agency (CalHFA), which takes the lead on a number of the state's affordable housing finance programs, has operated with considerably more autonomy under the model of a business enterprise. CalHFA is financially self-supporting, meaning that it does not require public funds from either the state or federal government to operate. It does work similar to private entities, and in some ways competes with the private sector to provide home-mortgage loans. At this time in its development, the high-speed rail project shares none of these qualities with CalHFA.

OPTIONS FOR IMPROVING GOVERNANCE OF THE HIGH-SPEED RAIL PROJECT

As discussed above, our analysis suggests that an autonomous state operation does not seem to be a very good fit with the critical set of tasks now required to move forward with a high-speed rail project. This is of concern for several reasons. First, the current governance structure for HSRA grants its commission more independence and autonomous decision-making ability than we believe is appropriate for this phase of the project's development. Second, because of the significant impacts on the state's transportation network, we believe the project should be integrated into the state's current transportation planning structure. Finally, preserving the current organization of HSRA could lead to redundancies within state government and inefficient allocation of resources. Below, we present three options for changing the governance of what we view as fundamentally a state project rather than a business enterprise.

High-Speed Rail Project Could Be Shifted to Caltrans

One option to address the problems identified above would be to shift some or all of the responsibility for overseeing the construction of the high-speed rail line to a more conventionally governed state agency or department. Caltrans may be the best choice, in our view, because this project is consistent with Caltrans' mission of delivering transportation construction projects and improving mobility throughout the state.

Caltrans has decades of experience in delivering large transportation infrastructure projects and has a large complement of engineering staff in place. Because Caltrans is already subject to close oversight by both the executive branch and the Legislature, moving the project from HSRA to the department could improve accountability for critical project decisions. Such a change could also somewhat reduce the need for external contractors and provide the state with greater staff resources to ensure appropriate oversight of the sizeable number of contracts that would be required for the construction of such a project.

While we believe there are merits to shifting the project to Caltrans, there are reasons to be concerned about such a shift. For instance, transportation experts within and outside state government have expressed concerns about Caltrans' ability to effectively implement this project, citing the department's longstanding focus on highways and lack of expertise in working with private partners on PPPs. In addition, our office has in recent years found some significant management problems in Caltrans. Finally, some experts suggest that the project should be viewed not as a state project but as a PPP under which the state would cede a significant level of control to private partners. (As we indicate in a previous text box, however, this project is not expected to follow the traditional PPP schedule and would be the state's responsibility for many years before the private partners become involved.)

Notwithstanding these issues, the benefits of moving the responsibility of this transportation project to Caltrans may outweigh these potential concerns. The Legislature would have to consider carefully exactly what operational changes might be needed for Caltrans to successfully manage development and construction of a new high-speed rail system. Below we further discuss the advantages of moving the project to Caltrans.

Caltrans Staff Could Perform Many Project Tasks. While much of the more specialized project work would remain the responsibility of contractors, some of the proposed contracted work could be moved to Caltrans. Under this alternative, HSRA's executive director and staff would be shifted to Caltrans to oversee the remaining contract activities, as well as to develop plans for future partnerships to help finance and operate the rail system. Examples of work that could be turned over to Caltrans staff include:

- ***Negotiating and Overseeing Large Contracts.*** Caltrans contracts with engineering and construction firms for the completion of major transportation projects. For example, the department has entered into multiple, large contracts ranging from hundreds of millions of dollars to $1.75 billion for the construction of the San Francisco-Oakland Bay Bridge.

- ***Acquiring Property for Transportation Rights of Way.*** Caltrans has roughly 500 staff in Sacramento and in district offices that acquire property for the state's transportation projects. This staff is already well-trained in the specific actions necessary to acquire rights of way for transportation projects, including assessment of property values, relocation of utilities, and the successful negotiation of land purchases. For instance, the HSRA is planning to adopt Caltrans' manual for right-of-way acquisition as its own because of the department's experience and in-depth knowledge of the process.

- ***Developing Public Support for Transportation Projects.*** The department maintains a public information office with over 60 staff, as well as hundreds of staff in its planning division. Many of these staff regularly attend local public meetings concerning state projects and by doing so work to gain public support for the department's proposals. In addition, the department has established relationships with local agencies, regions, and other stakeholders which could greatly benefit the high-speed rail project. The HSRA is currently contracting with Caltrans to conduct inter-governmental relations with many of the entities potentially affected by the project.

- ***Providing Legal Support for Project Development and Delivery.*** Caltrans has about 280 attorneys, many of whom are experienced in handling legal issues regarding the environmental review process for transportation projects. In addition, Caltrans' staff handle legal issues relating to the acquisition of property for rights of way and transportation-related contracting issues.
- ***Interacting With State and Federal Administrative Processes and the Legislature.*** Caltrans has significant experience dealing with the typical state administrative processes such as working with the state's Department of Personnel Administration to hire staff and DGS to award contracts. Caltrans also has extensive experience working with the federal Department of Transportation, including meeting reporting requirements and effectively communicating the state's needs. Finally, Caltrans has a good understanding of the state and federal budget and legislative processes.

Caltrans' Capital Outlay Process May Be Better-Suited to High-Speed Rail. Currently, the high-speed rail project is subject to a review and approval process administered by the state Public Works Board (PWB). The main purpose of this process is to ensure that capital outlay projects are developed in compliance with the Legislature's intent when it appropriated funding for them. This process is generally used for non-transportation projects such as the construction of office buildings and courthouses or the acquisition of open space land.

However, certain departments, such as Caltrans, are not subject to the PWB process. Traditional transportation projects use a different capital outlay process which we find is better-suited to the high-speed rail project. Caltrans' process takes into account various challenges unique to transportation projects, such as the timing of design, environmental clearance, and right-of-way acquisition. Because Caltrans is so familiar with delivering transportation projects, shifting this project development and construction work to the department could increase the odds that the high-speed rail project will be successful.

Developing Project Within Caltrans May Foster Integration Into Transportation System. If the high-speed rail project were moved to Caltrans, the project that is ultimately built is likely to be better integrated into the state's transportation system. Currently, decision making about the state's transportation system is not integrated and it is unclear to what extent Caltrans and HSRA are working together to address the state's overall transportation needs.

For instance, we have been advised by Caltrans that HSRA contractors have only recently begun engaging the department in discussions about the added traffic volumes around some proposed train stations. In some cases, Caltrans staff have formally commented in writing through the environmental process that the additional traffic at the proposed stations could be considerable. For example, the most recent business plan projects nearly 13,000 boardings daily at the Palmdale station alone. In theory, close coordination of the train project with improvements to mass transit systems operated by other state or local transportation agencies could head off potential traffic problems. Without a robust transit system, however, many riders would likely rely on their cars to reach this station. Thus, this potentially significant increase in traffic to and from this station should be included in state and local transportation planning long before the station opens. This kind of coordination is critical to the success of the project.

Some Operational Changes Within Caltrans Would Be Needed. While Caltrans has developed and overseen the construction of the state highway system, it has no experience with high-speed rail projects. In addition, our office has raised concerns in the past about aspects of the operations of Caltrans and, in particular, its staffing levels for its division responsible for overseeing the development and construction of capital projects. Therefore, the Legislature should carefully consider what operational changes would be needed within Caltrans if it were assigned this task. The ultimate strategy should be to take advantage of the department's experience and expertise while maintaining the current organization's access to particular project delivery tools necessary for successful completion of a high-speed rail project.

One way to accomplish this would be to create a separate division within Caltrans, led by a high-level deputy director who would have overall responsibility to manage the construction project. The current HSRA executive director could transition to this role to minimize any disruption to the project. In addition, all of the current HSRA staff and position authority could likewise shift to be the initial staff of this new Caltrans division. In this way, the transfer of the project to Caltrans could be accomplished in a way that was not unduly disruptive to the project. Finally, any such shift of the project to Caltrans should be accompanied by the enactment of statutory changes that would allow Caltrans to apply certain project delivery tools specifically for the high-speed rail project that are authorized in state law. These would include the unlimited ability HSRA now has to enter into contracts with private entities for the design, construction, and operation of the system. Caltrans, in contrast, is currently limited in its ability to hire contractors and can only complete 10 percent of its construction management and oversight work using consultants. This proposed change would not affect Caltrans' current limitations for development of other projects, but would apply only to the work to complete the high-speed rail project.

Given the complexity of the high-speed rail project, Caltrans should also be given the flexibility now afforded to HSRA to use design-build contracts for its development and construction. Also, if the project were to be shifted to Caltrans, we believe certain positions within this new Caltrans division should be exempted from state civil service requirements to help the state attract individuals from the private sector with the experience to develop this project, negotiate multibillion dollar contracts, and oversee the system's implementation.

HSRA Could Become a New State Department

Another option to better integrate the high-speed rail project into the traditional state governance structure is to create a new state department for this purpose within the Business, Transportation and Housing (BTH) Agency. This new department could focus exclusively on the development of the high-speed train system or, in the alternative, be combined with other state rail programs, such as the intercity rail system that is now overseen by Caltrans. A recent study by the California Research Bureau found that a new department combining state rail duties would likely be beneficial, but could also increase state costs.

A new department, whether focused on high-speed rail or encompassing all state rail responsibilities, theoretically could have a number of advantages over the current organization. The BTH Agency could better coordinate the activities of this new department with other state transportation efforts, including those of Caltrans. In addition, the creation of such a department could give rail system development issues more visibility with the public and give rail projects more prominence in policy and budget decisions. Pending legislation, AB 145 (Galgiani), as amended on March 16, 2011, would establish a new Department of High-Speed Trains under the BTH Agency to focus exclusively on the high-speed rail project. The new department proposed in the legislation would be modeled after Caltrans, but would continue to take policy direction from the HSRA board and the director would still work at the board's pleasure.

There are some disadvantages to this approach. Creating a new department would likely increase state administrative costs and result in the duplication of activities already being performed by other state departments. For example, the new department would likely require the establishment of a new division for the acquisition of rights of way, duplicating the work of a Caltrans division already doing the same type of work. Similarly, the new department would need to duplicate the expertise that Caltrans already has in negotiating and entering into various types of innovative contracts with the private sector. In addition, a new department may be less able to integrate the project into the state's transportation system because it would lack Caltrans' familiarity with transportation planning processes.

HSRA Board Could Be Eliminated or Modified

As described earlier, HSRA consists of a nine-member board with considerable power to direct the development and implementation of the high-speed rail system. Along with the other changes described above, the Legislature may wish to consider the elimination or modification of this largely autonomous board that now controls the administration of the high-speed rail project.

Legislature Could Eliminate the Board. As discussed earlier, the current governance structure for development of the high-speed rail system does not require that the board keep the overall interests of the state in mind, including state fiscal concerns, as it makes critical decisions about the project. The current lack of accountability of the board to either the Legislature or the executive branch, in our view, creates a serious risk that it will continue to make decisions about the train route and finances without paying sufficient regard to the future consequences for the state. In addition, we are concerned that such a board—particularly one lacking requirements for members who have the specific technical expertise to manage such a massive construction mega-project—is not appropriate for the next phase of this work.

For these reasons, the Legislature may wish to consider eliminating the board and ceding both day-to-day and strategic long-term project management decisions either to Caltrans or to a new state department. Either choice, in our view, would likely be more accountable for its decisions to the executive branch and the Legislature. In either case, the California Transportation Commission (CTC), which works closely with Caltrans, could play an important role. The commission already is assigned the responsibility of advising and assisting the Secretary of the BTH Agency and the Legislature in formulating and evaluating state policies and plans for California's transportation programs. The important role that the current board serves in obtaining public input about the project could also be accomplished by changing the statutory mission of the CTC so that it would hear high-speed rail issues in the same way that it currently hears public concerns about state highway projects.

Legislature Could Modify the Board's Existing Role and Structure. If the Legislature chose to retain the board, state law could be changed so that it would operate in an advisory rather than a decision making role. For example, Florida's Statewide Passenger Rail Commission was created within the Florida Department of Transportation (FDOT) to monitor the efficiency, productivity, and management of all publicly funded passenger rail systems and to advise FDOT and the legislature on policies and strategies relating to state-owned passenger rail systems. This new advisory board could be combined with the already statutorily established peer review group, tasked with reviewing the project's planning, engineering, and financing plans and reporting to the Legislature, or it could remain a separate board to monitor the management of the project and provide general advice about the system to the Legislature and the administration.

Regardless of whether the panel retains its authority as a decision-making body or becomes an advisory panel, the composition of the board could be changed to require that at least certain members have specified technical expertise, such as in construction management, infrastructure finance, or the operation of rail systems. Appointments to a number of state boards, such as the California Energy Commission and the Air Resources Board, similarly require that its members have specific areas of experience or knowledge. Pending legislation, SB 517 (Lowenthal), as amended on April 25, 2011, would vacate the membership of the current board and require new appointments of members with various changes, including requiring specific expertise of some members.

Another potential change to the membership of the board would be to include some representation for local elected officials or transit agencies in areas along the route of the high-speed system. This could help to ensure that the potential impacts of the design and alignment of the high-speed rail system in those communities are fully considered and that the high-speed rail line is better integrated with local mass transit and other transportation systems. This could be accomplished in a number of ways, such as giving each affected county a board seat, or creating a joint-powers authority (JPA) similar to the Capitol Corridor JPA, which oversees the Northern California intercity rail system between the Sacramento region and the Bay Area.

LAO RECOMMENDATIONS: INCREASING THE ODDS THAT HIGH-SPEED RAIL WILL SUCCEED

The proposed high-speed rail system offers some significant potential benefits to California's transportation system—including a possible reduction in overall transportation spending for highway and airport expansions, and improvements in air quality and the environment. As we have also noted in this report, however, a number of concerns—ranging from the availability of and federal conditions on the funding for the project, lack of good information for decision making, and problems with the way project decisions are governed—pose threats to its successful completion.

Thus, major budgetary and other challenges related to this project loom in the near term. The Legislature will likely be asked to appropriate billions of dollars for the high-speed rail project in 2012-13. The deadlines and conditions attached to federal funding will make it increasingly difficult over time for the Legislature to make any changes it may wish to consider to the proposed configuration or prioritization of segments of the rail system, or to the organization (HSRA) now charged under state law with the responsibility of building it. Some of these factors have already led to debatable decisions about the future of the project, such as HSRA's commitment to start building a segment in the Central Valley.

Accordingly, if upon weighing these factors the Legislature chooses to go forward with the project, we believe there are some key steps that it should take now to improve the likelihood of its successful development. In general, our recommended strategy involves (1) seeking greater flexibility from federal authorities on the project deadlines and the choice of a rail segment involving use of federal grant funds and (2) improving the governance and oversight of the project. The recommendations below represent the first steps that the state could take so that, in the long run, the efforts undertaken to develop and implement the high-speed rail project can provide the best outcomes for the state as a whole.

Seek Flexibility From Federal Restrictions and Evaluate Construction of Alternative Segments

In our view, the Governor's budget proposal to continue to fund activities that would move the high-speed rail project forward as now proposed is asking the Legislature to take a huge leap of faith given the threats to the success of the project. For example, the proposed start to the project in the Central Valley represents a significant gamble that additional unidentified funding to complete adjacent segments of the project onward to urban areas will be forthcoming. The proposed approach creates a serious risk that, after billions of state bond funds have been spent and significant future debt-service costs have been incurred, the state will be left with a rail segment unconnected to major urban areas that has little if any chance of generating the ridership to operate without a significant state subsidy. In our view, this is inconsistent with the parameters for the project set forth by the voters in Proposition 1A, who explicitly directed that any future rail system be capable of operating without a state subsidy.

In addition, we have concluded that the Legislature needs more reasonable deadlines and flexibility from the federal government so that it can conduct a full evaluation of the Central Valley segment and alternative starting points for the system. The granting of this flexibility from the federal government would also give the Legislature time to consider how the governance of the project could be improved, given that the current organizational structure is unlikely to be up to the task of development and construction of the new rail system. In our view, the state has a potent argument that the granting of such flexibility by federal authorities would not only protect the interests of the state, but would ultimately lead to greater achievement of the federal program's own policy goals to improve the nation's energy independence, improve environmental quality, and make regional transportation systems more efficient.

Therefore, we recommend the Legislature take a series of steps to ensure that the state prioritizes spending of state funding for segments that have the best chance of actually being constructed and operated.

First, we recommend that the Legislature reject HSRA's 2011-12 budget request for $185 million in funding for consultants to perform project management, public outreach, and other work to develop the project. We recommend that the Legislature appropriate only the $7 million in funding for HSRA state administration provided for in the pending budget bill, SB 69. This would provide the resources needed by HSRA to complete the tasks we describe below that we believe are warranted to move the project forward in a way which is more likely to be successful.

Second, we recommend that the Legislature adopt budget bill language directing HSRA to renegotiate the terms of the federal funding awarded to the state by the FRA. The language would specifically request that FRA permit the state to first spend the federal funds it has received and, after those funds have been fully spent, to spend the state bond funds that it has committed. As noted earlier, such a change would enable the state to spend the ARRA funds twice as quickly once construction begins and make the 2017 expenditure deadline more easily achievable. It would not change the state's financial commitment to the segment supported with federal funds. The language would also request that FRA use its administrative discretion to remove the current requirement that its grant award to California be used only for construction of the high-speed rail line beginning in the Central Valley. This would open up the possibility for the state to begin construction of whatever segments on the proposed route between San Francisco, Los Angeles, and Anaheim that further evaluation shows makes the most sense. Further, we recommend the Legislature only proceed with the project if this flexibility from the federal government is forthcoming.

Third, we recommend that the Legislature adopt budget bill language requiring HSRA to reevaluate which segment or segments of the high-speed rail line should be constructed first. The language would specify that this reevaluation would proceed only if federal authorities granted the state the additional flexibility described above. The language would further direct that this study be completed by October 2011. In our view, this would provide sufficient time to complete such a study without creating delays that would make it impossible to meet the renegotiated federal deadlines. Because the HSRA may need additional resources to conduct this study, we further recommend the adoption of budget bill language authorizing the administration to seek an augmentation of its funding during 2011-12 for this purpose. The HSRA should be directed to identify the top two options, including its recommended option, for beginning construction based on criteria identified by the Legislature. The criteria for evaluating the best segment to build first should be included in the budget bill language and could include:

- The potential statewide benefits from building a particular segment, such as its impact on improving mobility and reducing congestion or improving environmental outcomes.
- How far along in the environmental review and design process the segment is and when construction could begin.
- Whether a passenger rail system on the selected segment could generate on its own ridership and revenues to be financially successful and operate without a subsidy.
- How much of a segment could be completed with available funds, and under the assumption that little or no additional funding might be forthcoming for the high-speed rail project.

Fourth, we recommend that the HSRA provide specific updated information about the project, such as updated cost estimates for the entire proposed rail line, to help the Legislature make more informed budgetary decisions about its investment in the high-speed rail system. We recommend that the Legislature require that this report be completed by HSRA by October 2011 in order to facilitate timely decision making about how the project could best move forward.

Lastly, we recommend that the Legislature adopt budget bill language authorizing the administration to seek an augmentation of HSRA's budget that would allow it to proceed with the development of the segment approved by the Legislature based on the results of the evaluation described above.

This entire multistep process we have outlined above should take no more than a few months and therefore should not significantly affect the state's ability to meet the federal deadlines for the project—assuming, of course, that federal authorities provide the state with the additional flexibility we believe is necessary for the project to move ahead with the best chance of success.

Structure High-Speed Rail Development as a State Project

Because the characteristics of the high-speed rail project at this time more closely resemble a state project, we recommend its governance and oversight structures be crafted accordingly. We believe the best way to do this is to move the responsibility for development and construction of the system to Caltrans, the state's existing department responsible for delivery of state transportation projects. As noted earlier, the project would benefit greatly from Caltrans' expertise in such areas as the acquisition of rights of way, developing local support, and negotiating and overseeing large construction contracts. We believe that moving the project to Caltrans is a better option than creating a new department. Establishing a new department would likely increase state administrative costs and result in the duplication of activities already being performed elsewhere. However, due to the project's unique nature, the move would need to ensure that Caltrans has some of the project delivery tools available for development of high-speed rail currently granted HSRA to enable the state to effectively deliver the complex rail system.

Accordingly, we recommend that the Legislature pass a bill this session that shifts the responsibility for the development of the project from HSRA to Caltrans. In addition, we recommend that the Legislature remove decision-making authority over the high-speed rail project from the HSRA board to ensure that the state's overall interests, including state fiscal concerns, are fully taken into account as the project is developed.

If the board is retained in an advisory role, we recommend that state law be changed to specify that some members have specifically designated expertise in such fields as engineering, infrastructure finance, and rail systems. Representatives of local agencies and/or mass transit systems along the route of the proposed high-speed rail system could also be provided some representation on such an advisory board. Such changes would address concerns we about the board's accountability to the executive and legislative branches, and would provide the organizational structure the project needs at this time if the project is to succeed.

LAO Publications

This report was prepared by Eric Thronson, and reviewed by Farra Bracht. The Legislative Analyst's Office (LAO) is a nonpartisan office which provides fiscal and policy information and advice to the Legislature.

To request publications call (916) 445-4656. This report and others, as well as an email subscription service, are available on the LAO's website at www.lao.ca.gov. The LAO is located at 925 L Street, Suite 1000, Sacramento, CA 95814.

June 21, 2011

FOIA Officer
Office of the Secretary of Transportation
Department of Transportation
1200 New Jersey Ave., SE
W94-122
Washington, DC 20590

Re: Freedom of Information Act Request

Dear Sir/Madam:

On behalf of the Competitive Enterprise Institute (CEI), a non-profit 501(c)(3) public interest organization with substantial media and publication functions, and pursuant to the Freedom of Information Act, 5 U.S.C. §552 *et seq.* (FOIA) and implementing regulation, please provide us, within twenty (20) days, copies of all records, documents, internal and external written communications[1] and other relevant covered material ("records") in the Department of Transportation, Office of the Secretary of Transportation's (OST) possession and which meet the following descriptions:

I. Records Relating to Congressional Liaison

1. Any and all written correspondence or other records sent or received by the Office of the Secretary of Transportation (OST), to or from or which cite, name or reference Rep. Dennis A. Cardoza, his office, staff, and/or California's 18th Congressional District; and
2. Any and all written correspondence or other communications sent or received by OST, to or from or which cite, name or reference Rep. James M. Costa, his office, staff, and/or California's 20th Congressional District.

II. Records Relating to the Central Valley High-Speed Rail Corridor

1. Any and all written correspondence or other records produced, held, sent or received by OST which cite, name or reference the proposed high-speed rail segment (Central Valley HSR Corridor) between Borden, Madera County, California, and Corcoran, Kings County, California, *and:*
    a. Gov. Arnold A. Schwarzenegger;
    b. California High Speed Rail Authority President Roelof van Ark;
    c. Fresno, California, Mayor Ashley Swearengin;
    d. Secretary of Transportation Raymond H. LaHood; *or*
    e. Federal Railroad Administration Administrator Joseph C. Szabo.

---

[1] "Written communications" for purposes of this Request means emails, letters, memoranda and logs or such similar record for documenting telephone calls made or received.

Scope of Request; Offices and Period Covered

The above Requests are *not* limited to correspondence to or from OST's offices of congressional, governmental or intergovernmental affairs, but to, from or in the possession of the above-cited offices.

Documents covered by each element of this Request are expected to be located in the offices of the individuals named above or their assistant(s). They will have been received or produced by relevant OST offices and/or otherwise dated over the approximate three-month period of September 1, 2010 to December 1, 2010, inclusive.

Please identify and inform us of all responsive or potentially responsive documents within the statutorily prescribed time, and the basis of any claimed exemptions or privilege and to which specific responsive or potentially responsive document(s) such objection applies.

Further, please inform us of the basis of any complete or partial denials or redactions. Specifically, if your office takes the position that any portion of the requested records is exempt from disclosure, we request that you provide us with an index of those documents as required under *Vaughn v. Rosen*, 484 F.2d 820 (D.C. Cir. 1973), *cert. denied*, 415 U.S. 977 (1972), with sufficient specificity "to permit a reasoned judgment as to whether the material is actually exempt under FOIA" pursuant to *Founding Church of Scientology v. Bell*, 603 F.2d 945, 959 (D.C. Cir. 1979), and "describ[ing] each document or portion thereof withheld, and for each withholding it must discuss the consequences of supplying the sought-after information." *King v. Department of Justice*, 830 F.2d 210, 223-24 (D.C. Cir. 1987).

In the event that some portions of the requested records are properly exempt from disclosure, please disclose any reasonably segregable, non-exempt portions of the requested records. *See* 5 U.S.C. §552(b). If it is your position that a document contains non-exempt segments and that those non-exempt segments are so dispersed throughout the documents as to make segregation impossible, please state what portion of the document is non-exempt and how the material is dispersed through the document. *Mead Data Central v. Department of the Air Force*, 455 F.2d 242, 261 (D.C. Cir. 1977). Claims of non-segregability must be made with the same detail as required for claims of exemption in a *Vaughn* index. If a request is denied in whole, please state specifically that it is not reasonable to segregate portions of the record for release.

Please provide the documents in electronic form (except for documents that do not exist in electronic form), unless it would be cheaper to obtain paper copies. If the charge for this document will exceed $100.00, then we request that your office waive charges other than duplication costs (and also waive duplication costs for the first 100 pages of copies) pursuant to 49 CFR §7.44(b)&(c).

We request this on the basis that CEI is a non-profit, tax-exempt, public-interest organization, with formal research, educational, and publication functions as part of its mission, and because release of these records will serve the public interest by contributing significantly to the public's understanding of government operations, public infrastructure projects, how taxpayer money is spent, and how those conducting important research likely to influence public policy and regulatory decisions and public health were vetted or selected. This FOIA request is not for commercial use.[2]

CEI's interest in the documents springs from its efforts to educate the public, scholars, and state and federal regulators on matters of government operations, and especially regarding the American Recovery and Reinvestment Act and general investment in transportation projects and other public infrastructure programs.[3] Both the general and policy-oriented public will benefit from the dissemination of the information requested, since CEI's professionals are widely published.

CEI publishes materials based upon its research via print and electronic media, as well as in newsletters to legislators, education professionals, and other interested parties.[4] Those activities are in fulfillment of CEI's mission. The information received will be disseminated through one or more of the following: (a) newsletters; (b) opinion pieces in newspapers or magazines; (c) CEI's websites, which receive approximately 150,000 monthly visitors (appx. 125,000 unique);[5] (d) in-house publications for public dissemination; (e) other electronic journals, including blogs to which our professionals contribute; (f) local and syndicated radio programs dedicated to discussing public policy; (g) to the extent that Congress or states engaged in relevant oversight or related legislative or judicial activities find that which is received noteworthy, it will become part of the public record on deliberations of the legislative branches of the federal and state governments on the relevant issues. CEI is regularly cited in newspapers,[6] law reviews,[7] and legal and scholarly publications.[8]

---

[2] Nor would it primarily further or advance any commercial interest. Also, CEI is not a trade association.

[3] *See, e.g.*, Marc Scribner, "The Limitations of Public-Private Partnerships: Recent Lessons from the Surface Transportation and Real Estate Sectors," Competitive Enterprise Institute: *Issue Analysis* No. 1, January 2011, http://cei.org/issue-analysis/limitations-public-private-partnerships; Scribner, "Stop pretending that it's high-speed rail," *Milwaukee Journal-Sentinel*, November 17, 2010; Scribner, "Tolls, More Freeways Would Improve Transport (LETTER)," *The Washington Times*, April 20, 2010.

[4] *See EPIC v. DOD*, 241 F.Supp.2d 5 (D.D.C. 2003) (court ruled that the publisher of a bi-weekly electronic newsletter qualified as the media, entitling it to a waiver of fees on its FOIA request); *Forest Guardians v. U.S. Dept. of Interior*, 416 F.3d 1173, 1181-82 (10th Cir. 2005) (fee waiver granted for group that "aims to place the information on the Internet"; "Congress intended the courts to liberally construe the fee waiver requests of noncommercial entities").

[5] *See, e.g.*, *www.openmarket.org* (one of several blogs operated by CEI providing daily coverage of legal and regulatory issues); *www.globalwarming.org* (another CEI blog).

[6] *See, e.g.*, Al Neuharth, "Why Bail Out Bosses Who Messed It Up," USA Today, Nov. 21, 2008, at 23A (quotation from Competitive Enterprise Institute) (available at 2008 WLNR 22235170); Bill Shea, "Agency Looks Beyond Criticism of Ads of GM Boasting About Repaid Loan," *Crain's Detroit Business*, May 17, 2010, at 3 (available at 2010 WLNR 10415253); Mona Charen, Creators Syndicate, "You Might Suppose That President Obama Has His Hands ...," *Bismarck Tribune*, June 10, 2009, at A8 (syndicated columnist quoted CEI's OpenMarket blog); Hal Davis, "Earth's Temperature Is Rising and So Is Debate About It," *Dayton Daily News*, April 22, 2006, at A6 (citing CEI's GlobalWarming.Org); *Washington Examiner*, August 14, 2008, pg. 24, "Think-Tanking" (reprinting relevant commentary from OpenMarket); Mark Landsbaum, "Blogwatch: Biofuel Follies," *Orange County Register*, Nov. 13, 2007 (citing OpenMarket) (available in Westlaw news database at 2007 WLNR 23059349); *Pittsburgh Tribune-Review*, "Best of the Blogs," Oct. 7, 2007 (citing OpenMarket) (available in Westlaw news database at 2007 WLNR 19666326).

[7] *See, e.g.*, Robert Hardaway, "The Great American Housing Bubble," 35 *University of Dayton Law Review* 33, 34 (2009) (quoting Hans Bader of Competitive Enterprise Institute regarding origins of the financial crisis that precipitated the TARP bailout program).

[8] *See, e.g.*, Bruce Yandle, "Bootleggers, Baptists, and the Global Warming Battle," 26 *Harvard Environmental Law Review* 177, 221 & fn. 272 (citing CEI's GlobalWarming.Org); Deepa Badrinarayana, "The Emerging Constitutional Challenge of Climate Change: India in Perspective," 19 *Fordham Environmental Law Review* 1, 22 & fn. 119 (2009) (same); Kim Diana Connolly, "Bridging the Divide: Examining the Role of the Public Trust in Protecting Coastal and

In the event of any appeal as appropriate and regardless of that outcome or your response to this fee waiver request, we request the search and document production proceed in the interim. (If there are any such charges, please provide an invoice for the time incurred and cost for each document for which more than $15.00 is sought.)

As provided by FOIA, I look forward to hearing from you within twenty (20) days.

Sincerely,

Marc Scribner
Land-use and Transportation Policy Analyst
Center for Economic Freedom
Competitive Enterprise Institute
1899 L Street, N.W., 12th Floor
Washington, D.C. 20036
(202) 331-2761
mscribner@cei.org

Wetland Resources," 15 *Southeastern Environmental Law Journal* 1, 15 & fn. 127 (2006) (same); David Vanderzwaag, *et al.*, "The Arctic Environmental Protection Strategy, Arctic Council, and Multilateral Environmental Initiatives," 30 Denver Journal of International Law and Policy 131, 141 & fn. 79 (2002) (same); Bradley K. Krehely, "Government-Sponsored Enterprise: A Discussion of the Federal Subsidy of Fannie Mae and Freddie Mac, 6 North Carolina Banking Institute 519, 527 (2002) (quoting Competitive Enterprise Institute about potential bailouts in the future).

June 21, 2011

FOIA Officer
Federal Railroad Administration
Department of Transportation
1200 New Jersey Ave., SE
W33–437
Washington, DC 20590

Re: Freedom of Information Act Request

Dear Sir/Madam:

On behalf of the Competitive Enterprise Institute (CEI), a non-profit 501(c)(3) public interest organization with substantial media and publication functions, and pursuant to the Freedom of Information Act, 5 U.S.C. §552 *et seq.* (FOIA) and implementing regulation, please provide us, within twenty (20) days, copies of all records, documents, internal and external written communications[1] and other relevant covered material ("records") in the Federal Railroad Administration's (FRA) possession and which meet the following descriptions:

I. Records Relating to Congressional Liaison

1. Any and all written correspondence or other records sent or received by the Federal Railroad Administration (FRA), to or from or which cite, name or reference Rep. Dennis A. Cardoza, his office, staff, and/or California's 18th Congressional District; and
2. Any and all written correspondence or other communications sent or received by FRA, to or from or which cite, name or reference Rep. James M. Costa, his office, staff, and/or California's 20th Congressional District.

II. Records Relating to the Central Valley High-Speed Rail Corridor

1. Any and all written correspondence or other records produced, held, sent or received by FRA which cite, name or reference the proposed high-speed rail segment (Central Valley HSR Corridor) between Borden, Madera County, California, and Corcoran, Kings County, California, *and*:
    a. Gov. Arnold A. Schwarzenegger;
    b. California High Speed Rail Authority President Roelof van Ark;
    c. Fresno, California, Mayor Ashley Swearengin;
    d. Secretary of Transportation Raymond H. LaHood; *or*
    e. Federal Railroad Administration Administrator Joseph C. Szabo.

---

[1] "Written communications" for purposes of this Request means emails, letters, memoranda and logs or such similar record for documenting telephone calls made or received.

Scope of Request: Offices and Period Covered

The above Requests are *not* limited to correspondence to or from FRA's offices of congressional, governmental or intergovernmental affairs, but to, from or in the possession of the above-cited offices.

Documents covered by each element of this Request are expected to be located in the offices of the individuals named above or their assistant(s). They will have been received or produced by relevant FRA offices and/or otherwise dated over the approximate three-month period of September 1, 2010 to December 1, 2010, inclusive.

Please identify and inform us of all responsive or potentially responsive documents within the statutorily prescribed time, and the basis of any claimed exemptions or privilege and to which specific responsive or potentially responsive document(s) such objection applies.

Further, please inform us of the basis of any complete or partial denials or redactions. Specifically, if your office takes the position that any portion of the requested records is exempt from disclosure, we request that you provide us with an index of those documents as required under *Vaughn v. Rosen*, 484 F.2d 820 (D.C. Cir. 1973), *cert. denied*, 415 U.S. 977 (1972), with sufficient specificity "to permit a reasoned judgment as to whether the material is actually exempt under FOIA" pursuant to *Founding Church of Scientology v. Bell*, 603 F.2d 945, 959 (D.C. Cir. 1979), and "describ[ing] each document or portion thereof withheld, and for each withholding it must discuss the consequences of supplying the sought-after information." *King v. Department of Justice*, 830 F.2d 210, 223-24 (D.C. Cir. 1987).

In the event that some portions of the requested records are properly exempt from disclosure, please disclose any reasonably segregable, non-exempt portions of the requested records. *See* 5 U.S.C. §552(b). If it is your position that a document contains non-exempt segments and that those non-exempt segments are so dispersed throughout the documents as to make segregation impossible, please state what portion of the document is non-exempt and how the material is dispersed through the document. *Mead Data Central v. Department of the Air Force*, 455 F.2d 242, 261 (D.C. Cir. 1977). Claims of non-segregability must be made with the same detail as required for claims of exemption in a *Vaughn* index. If a request is denied in whole, please state specifically that it is not reasonable to segregate portions of the record for release.

Please provide the documents in electronic form (except for documents that do not exist in electronic form), unless it would be cheaper to obtain paper copies. If the charge for this document will exceed $100.00, then we request that your office waive charges other than duplication costs (and also waive duplication costs for the first 100 pages of copies) pursuant to 49 CFR §7.44(b)&(c).

We request this on the basis that CEI is a non-profit, tax-exempt, public-interest organization, with formal research, educational, and publication functions as part of its mission, and because release of these records will serve the public interest by contributing significantly to the public's understanding of government operations, public infrastructure projects, how taxpayer money is spent, and how those conducting important research likely to influence public policy and regulatory decisions and public health were vetted or selected. This FOIA request is not for commercial use.[2]

CEI's interest in the documents springs from its efforts to educate the public, scholars, and state and federal regulators on matters of government operations, and especially regarding the American Recovery and Reinvestment Act and general investment in transportation projects and other public infrastructure programs.[3] Both the general and policy-oriented public will benefit from the dissemination of the information requested, since CEI's professionals are widely published.

CEI publishes materials based upon its research via print and electronic media, as well as in newsletters to legislators, education professionals, and other interested parties.[4] Those activities are in fulfillment of CEI's mission. The information received will be disseminated through one or more of the following: (a) newsletters; (b) opinion pieces in newspapers or magazines; (c) CEI's websites, which receive approximately 150,000 monthly visitors (appx. 125,000 unique);[5] (d) in-house publications for public dissemination; (e) other electronic journals, including blogs to which our professionals contribute; (f) local and syndicated radio programs dedicated to discussing public policy; (g) to the extent that Congress or states engaged in relevant oversight or related legislative or judicial activities find that which is received noteworthy, it will become part of the public record on deliberations of the legislative branches of the federal and state governments on the relevant issues. CEI is regularly cited in newspapers,[6] law reviews,[7] and legal and scholarly publications.[8]

---

[2] Nor would it primarily further or advance any commercial interest. Also, CEI is not a trade association.

[3] *See, e.g.*, Marc Scribner, "The Limitations of Public-Private Partnerships: Recent Lessons from the Surface Transportation and Real Estate Sectors," Competitive Enterprise Institute: *Issue Analysis* No. 1, January 2011, http://cei.org/issue-analysis/limitations-public-private-partnerships; Scribner, "Stop pretending that it's high-speed rail," *Milwaukee Journal-Sentinel*, November 17, 2010; Scribner, "Tolls, More Freeways Would Improve Transport (LETTER)," *The Washington Times*, April 20, 2010.

[4] *See EPIC v. DOD*, 241 F.Supp.2d 5 (D.D.C. 2003) (court ruled that the publisher of a bi-weekly electronic newsletter qualified as the media, entitling it to a waiver of fees on its FOIA request); *Forest Guardians v. U.S. Dept. of Interior*, 416 F.3d 1173, 1181-82 (10th Cir. 2005) (fee waiver granted for group that "aims to place the information on the Internet"; "Congress intended the courts to liberally construe the fee waiver requests of noncommercial entities").

[5] *See, e.g., www.openmarket.org* (one of several blogs operated by CEI providing daily coverage of legal and regulatory issues); *www.globalwarming.org* (another CEI blog).

[6] *See, e.g.*, Al Neuharth, "Why Bail Out Bosses Who Messed It Up," USA Today, Nov. 21, 2008, at 23A (quotation from Competitive Enterprise Institute) (available at 2008 WLNR 22235170); Bill Shea, "Agency Looks Beyond Criticism of Ads of GM Boasting About Repaid Loan," *Crain's Detroit Business*, May 17, 2010, at 3 (available at 2010 WLNR 10415253); Mona Charen, Creators Syndicate, "You Might Suppose That President Obama Has His Hands ...," *Bismarck Tribune*, June 10, 2009, at A8 (syndicated columnist quoted CEI's OpenMarket blog); Hal Davis, "Earth's Temperature Is Rising and So Is Debate About It," *Dayton Daily News*, April 22, 2006, at A6 (citing CEI's GlobalWarming.Org); *Washington Examiner*, August 14, 2008, pg. 24, "Think-Tanking" (reprinting relevant commentary from OpenMarket); Mark Landsbaum, "Blogwatch: Biofuel Follies," *Orange County Register*, Nov. 13, 2007 (citing OpenMarket) (available in Westlaw news database at 2007 WLNR 23059349); *Pittsburgh Tribune-Review*, "Best of the Blogs," Oct. 7, 2007 (citing OpenMarket) (available in Westlaw news database at 2007 WLNR 19666326).

[7] *See, e.g.*, Robert Hardaway, "The Great American Housing Bubble," 35 *University of Dayton Law Review* 33, 34 (2009) (quoting Hans Bader of Competitive Enterprise Institute regarding origins of the financial crisis that precipitated the TARP bailout program).

[8] *See, e.g.*, Bruce Yandle, "Bootleggers, Baptists, and the Global Warming Battle," 26 *Harvard Environmental Law Review* 177, 221 & fn. 272 (citing CEI's GlobalWarming.Org); Deepa Badrinarayana, "The Emerging Constitutional Challenge of Climate Change: India in Perspective," 19 *Fordham Environmental Law Review* 1, 22 & fn. 119 (2009) (same); Kim Diana Connolly, "Bridging the Divide: Examining the Role of the Public Trust in Protecting Coastal and Wetland Resources," 15 *Southeastern Environmental Law Journal* 1, 15 & fn. 127 (2006) (same); David Vanderzwaag, *et*

In the event of any appeal as appropriate and regardless of that outcome or your response to this fee waiver request, we request the search and document production proceed in the interim. (If there are any such charges, please provide an invoice for the time incurred and cost for each document for which more than $15.00 is sought.)

As provided by FOIA, I look forward to hearing from you within twenty (20) days.

Sincerely,

Marc Scribner
Land-use and Transportation Policy Analyst
Center for Economic Freedom
Competitive Enterprise Institute
1899 L Street, N.W., 12th Floor
Washington, D.C. 20036
(202) 331-2761
mscribner@cei.org

---

al., "The Arctic Environmental Protection Strategy, Arctic Council, and Multilateral Environmental Initiatives," 30 Denver Journal of International Law and Policy 131, 141 & fn. 79 (2002) (same); Bradley K. Krehely, "Government-Sponsored Enterprise: A Discussion of the Federal Subsidy of Fannie Mae and Freddie Mac, 6 North Carolina Banking Institute 519, 527 (2002) (quoting Competitive Enterprise Institute about potential bailouts in the future).

GREATER FRESNO AREA CHAMBER of COMMERCE

December 13, 2011

The Honorable John L. Mica
Chairman
House Transportation & Infrastructure Committee
2165 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Nick J. Rahall, II
Ranking Member
House Transportation & Infrastructure Committee
2163 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Mica and Ranking Member Rahall:

As CEO of the third largest Chamber of Commerce in the state of California, I want to thank you for providing me the opportunity to share with you and the Members of the House Transportation and Infrastructure Committee the support that the majority of our membership has indicated in its approval of California high-speed rail.

Located in the Central Valley, the Fresno metropolitan area suffers due in large part to isolation from the State's major economic centers. As such, the development of high-speed rail will have a transformative impact on the 2.5 million citizens who reside in the metropolitan area. It will provide new and potentially long-lasting opportunities for economic growth by providing an essential link for commerce, addressing chronic employment through the creation of direct project-related jobs as well indirect business opportunities, facilitating the sharing of resources, and so much more.

California is a very unusual state in that it is long and narrow – 770 miles from the northern tip to the southern. Its population is divided with 60% in the southern portion and 40% in the north. Because of this unique geographic configuration, the ability for Fresno and all of California to effectively interact with the major economic and government centers at both ends of our state is challenged by the limited transportation options currently available. High-speed rail will provide residents throughout the state an efficient and safe alternative to make that connectivity. It also will address the tremendous population growth which will only continue to create congestion and make interregional transportation in California even more challenging.

On behalf of our membership, let me urge your support for this vital and innovative project. Thank you again for the opportunity to address you.

Sincerely,

Al Smith
President and CEO

Serving the Hispanic Community of the Central Valley for 20 years
Central California
HISPANIC
CHAMBER of COMMERCE
2004 Website of the Year

December 13, 2011

The Honorable John L. Mica
Chairman
House Transportation & Infrastructure Committee
2165 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Nick J. Rahall, II
Ranking Member
House Transportation & Infrastructure Committee
2163 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Mica and Ranking Member Rahall:

Thank you for the opportunity to provide comments on the California High Speed Rail system, the subject of the House Transportation and Infrastructure Committee's hearing on December 15, 2011.

The Central California Hispanic Chamber of Commerce is the one of largest Hispanic Business organizations in California and has had a long history of improving the business environment in Central California. The mission of the Central California Hispanic Chamber of Commerce is to promote, stimulate, educate and support Hispanic owned business. The chamber will create, maintain and improve a favorable business environment which strengthens the financial position of its members and contributes to the socioeconomic well-being of the community.

The Central California Hispanic Chamber of Commerce represents tens of thousands of Hispanic business owners that support this project. Our economy, our communities, and our families need this project to move forward. It makes good economic sense, and good government sense.

Statewide, high speed rail is the most cost-effective way to provide the added mobility to meet the needs of our growing state population which is expected to hit 60 million by 2050. California high speed rail will generate up to one million jobs statewide when the initial segment from San Francisco to Los Angeles is complete, including 600,000 construction jobs. Many of these jobs are local and will provide a much-needed economic boost as unemployment in the San Joaquin Valley continues to hover above 15% in Fresno, Kings, Merced, Stanislaus, San Joaquin and Tulare Counties, according to November 2011 data from the California State Employment Development Department.

Thank you again for the opportunity to express my support for this important project. Please do not hesitate to contact me with any questions. You can reach me at 559-495-4817 or email me at info@cchcc.net .

Sincerely,

John Hernandez
Executive Director
Central California Hispanic Chamber of Commerce

cc: DOT Secretary Ray LaHood, Governor Jerry Brown, Rep. Jim Costa, Rep. Devin Nunes,
Rep. Jeff Denham, President Obama,

FAHCC
Fresno Area Hispanic
Chamber of Commerce

December 13, 2011

Dora C. Westerlund
CEO

OFFICERS

Enrique Altero
Herndon Auto Services
Chair

Ricardo Flores
Los Amigos Restaurant
Secretary

Brian B. Ekmanian
Bank of America
Treasurer

BOARD OF DIRECTORS

Gaston Cignetti
New York Life Insurance

William McComas
Coleman & Horowitt

Nory Garza
Citibank

Micky Rivera
Aegean Advanced Asthetics

Porfirio Rios
Intervalley Insurance Serv.

Victor Olivares
California State University, Fresno.

Susana Aldez
Office Max

Jaime Mar5tinez
Jaime's Designs and Floors Inc.

Ex-Officio

Rudy Medina
Bank of America

The Honorable John L. Mica
Chairman
House Transportation & Infrastructure Committee
Infrastructure Committee
2165 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Nick J. Rahall, II
Ranking Member
House Transportation &
2163 Rayburn House Office
Building
Washington, D.C. 20515

Dear Chairman Mica and Ranking Member Rahall:

I am pleased to have this opportunity to share with you and the Members of the House Transportation and Infrastructure Committee the Fresno Area Hispanic Chamber of Commerce's (FAHCC) support for the California High-Speed Rail project and revised business plan.

The FAHCC was formed in early 2001 by Fresno residents who saw the need to come together to form an entity that would serve the business community in accomplishing its goals towards business growth, high quality of life and community independence. It is comprised of approximately 400 local business owners, economic development members, educators, media, community based organization leaders and decision makers with one common goal: To develop strategies and set policies to better serve all business interests in the Fresno area. We believe that in moving forward with construction and build-out of the California High-Speed Rail project, we are making an unprecedented commitment to create jobs, and improve the quality of life for many in a region that has historically and significantly lagged behind the state and nation in regard to economic performance.

With unemployment above 15 percent, job creation is absolutely vital to the Central Valley. High-speed rail will bring 100,000 jobs to our area and create many new employment possibilities for local residents and businesses. Job creation is of utmost importance to our area, and this project will put thousands of our residents back to work as early as this fall when construction is set to begin.

Thank you for the opportunity to address you and for your consideration of our strong support.

Sincerely,

D Westerlund

Dora Westerlund
CEO

1444 Fulton Street. Fresno. CA 93721 Tel: 559.222.8705 Fax: 559.222.8706 www.fresnodbh.org

Board of Directors

Tate Hill II, *President*
Urban Strategic Enterprises
Bruce Heights, *Treasurer*
Wilcox, Hokokian, Baines and Dill, LLP
Lisa Anderson
Iron Bird Massage Studio & Spa
Siggie Moore
A-One Properties

Anthony Bea, *Vice President*
Tri-Counties Bank
Julia Dudley-Najieb, *Secretary*
Ann Marie Productions
Steve Carter
Citibank
Floyd Harris
CJF Harris Disposal Services
Lawrence Thomas
On Point Medical Transport

FresnoMetro
Black Chamber
of
Commerce

2331 Fresno Street
Suite 115
Fresno, CA 93721

Office: 559.441.7929
Fax: 559.495-4811
info@fmbcc.com

www.fmbcc.com

December 13, 2011

The Honorable John L. Mica
Chairman
House Transportation & Infrastructure Committee
2165 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Nick J. Rahall, II
Ranking Member
House Transportation & Infrastructure Committee
2163 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Mica and Ranking Member Rahall:

As a strong supporter of starting high-speed rail construction in the Central Valley, I want to thank you for taking an objective look at the California High Speed Rail project as the topic of your December 15, 2011 full committee hearing. I am encouraged that you will find a sound business plan for the system based on conservative estimates, strong role for the private sector, and the experience and expertise of those countries that currently and successfully operate a high-speed rail system. In addition, you will find a bold commitment from those in Fresno and throughout the state towards this project.

Countries throughout the world that operate high-speed rail have already experienced the positive effects of this unique transportation in the areas of economic growth, increase in employment, more efficient land-use, and reduction in green house gases. In addition, they have seen metropolitan regions transformed, and this is the effect we are working towards in Fresno and throughout the Central Valley. I feel confident with the revised business plan and the California High Speed Rail's ability to work with the federal government and communities through the state to successfully deliver the project.

High speed rail represents a tremendous opportunity for small and minority-owned businesses in California. Small businesses will benefit greatly from the economic growth high speed rail will bring to the state and to our region. We believe one of the best ways to turn our economy around is by putting contractor opportunities into the hands of the small business community that acts as the backbone of our country. It will spur growth and job creation opportunities and creates a win-win situation for local businesses and residents since it will make it possible for our local businesses attractive to employees from out of the area.

As a nation, we have the power to transform a region known for high unemployment and poverty into a thriving valley of jobs and opportunities by continuing to support high speed rail development. The Fresno Metro Black Chamber of Commerce and many in the community remain committed to working with federal government and the state toward the successful completion of the project. Should you have any questions, please do not hesitate to contact me.

Sincerely,

Tate Hill

Tate Hill
President

Mission: To promote vibrant economic growth and development for our members

ECONOMIC
DEVELOPMENT
CORPORATION
serving Fresno County

December 13, 2011

The Honorable John L. Mica
Chairman
House Transportation
& Infrastructure Committee
2165 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Nick J. Rahall, II
Ranking Member
House Transportation
& Infrastructure Committee
2163 Rayburn House Office Building
Washington, D.C. 20515

Serving the Cities of:
Clovis
Coalinga
Firebaugh
Fowler
Fresno
Huron
Kerman
Kingsburg
Mendota
Parlier
Reedley
San Joaquin
Sanger
Selma
and
The County of Fresno

Dear Chairman Mica and Ranking Member Rahall:

As a strong supporter of starting high-speed rail construction in the Central Valley, I want to thank you for taking an objective look at the California High Speed Rail project as the topic of your December 15, 2011 full committee hearing. I am encouraged that you will find a sound business plan for the system based on conservative estimates, strong role for the private sector, and the experience and expertise of those countries that currently and successfully operate a high-speed rail system. In addition, you will find a bold commitment from those in Fresno and throughout the state towards this project.

Countries throughout the world that operate high-speed rail have already experienced the positive effects of this unique transportation in the areas of economic growth, increase in employment, more efficient land-use, and reduction in green house gases. In addition, they have seen metropolitan regions transformed, and this is the effect we are working towards in Fresno and throughout the Central Valley. I feel confident with the revised business plan and the California High Speed Rail's ability to work with the federal government and communities through the state to successfully deliver the project.

When completed, California's high-speed rail system will span 800 miles, with trains traveling up to 220 miles per hour, better connecting sections of the state. High speed rail will essentially shrink the size of California and expand the Central Valley marketplace to include Los Angeles and the Bay Area. The project is a win-win situation for local businesses and residents since it will make it possible for our residents to commute to the Bay Area or Los Angeles for work, and make our local businesses attractive to employees from out of the area. In addition, the taxes generated from this economic growth will stimulate the economy.

As a nation, we have the power to transform a region known for high unemployment and poverty into a thriving valley of jobs and opportunities by continuing to support high speed rail development. The Fresno EDC and many in the community remain committed to working with federal government and the state toward the successful completion of the project. Should you have any questions, please do not hesitate to contact me.

Sincerely,

Steve Geil
President/CEO

906 N Street, STE 120 Fresno CA 93721
(559) 476-2500
(559) 233-2156 FAX
www.fresnoedc.com

Fresno Council
of Governments

2035 Tulare St., Ste. 201 tel 559-233-4148
Fresno, California 93721 fax 559-233-9645

www.fresnocog.org

December 13, 2011

Representative John L. Mica
Chairman
House Transportation and Infrastructure Committee
2165 Rayburn House Office Building
Washington, D.C. 20515

Representative Nick J. Rahall, II
Ranking Member 3
House Transportation and Infrastructure Committee
2163 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Mica and Ranking Member Rahall:

On behalf of the 15 cities in Fresno County and the County of Fresno that compose the Fresno Council of Governments (Fresno COG) thank you for holding a hearing on California's High Speed Rail project.

I would like to take this opportunity to express our continuing and long-standing support for High Speed Rail in the San Joaquin Valley. The High Speed Rail project is vital to the relief of traffic congestion, the improvement of air quality and freight mobility. The economic and environmental benefits that the San Joaquin Valley will gain are immeasurable, and the opportunity to provide connectivity through inter-modal choices for the residents of California is truly exciting.

In advance of the hearing, I want to express our support for efforts to continue on the project and the potential to build the system's Heavy Maintenance Facility in the Fresno County region. Given that Fresno is centrally located in relation to other parts of the State and is the largest city in the San Joaquin Valley, locating this facility in Fresno County would best serve the development and subsequent operations of a high speed train system.

Our region actively engaged in the evaluation of alignment alternatives and unequivocally supports a Downtown Fresno regional intermodal and high speed rail facility adjacent to the existing Union Pacific corridor, as well as reiterated support for a high speed train corridor generally along the Union Pacific rail corridor through the Fresno metropolitan area and along the Burlington-Northern/Santa Fe rail corridor south of the City of Fresno.

The potential regional station will serve nearly 1 million people in Fresno County, plus the additional populations in the adjacent counties. The High Speed Rail project is critically needed in our region. Although Fresno County is situated in the geographical center of the State, the long driving distance to major urban centers, such as Los Angeles and San Francisco combined with increased congestion on state highways contributes to the remoteness of our region. Having an intermodal regional station in Fresno County will provide a convenient and feasible alternative to vehicle travel for our large and growing, regional population and access to employment, education, business, medical, and other services available in the large metropolitan cities in our state.

City of Clovis
City of Coalinga
City of Firebaugh
City of Fowler
City of Fresno
City of Huron
City of Kerman
City of Kingsburg
City of Mendota
City of Orange Cove
City of Parlier
City of Reedley
City of San Joaquin
City of Sanger
City of Selma
County of Fresno

We would collectively like to thank you for your support and we would like to affirm that we are committed to working with you to see this project come to fruition as soon as possible. Please let me know if you need any additional information.

Sincerely,

Amarpreet Dhaliwal, Chairman
Fresno Council of Governments
Mayor, City of San Joaquin

**Kern Council
of Governments**

December 14, 2011

Representative John L. Mica
Chairman
House Transportation and Infrastructure
Committee
2165 Rayburn House Office Building
Washington, D.C. 20515

Representative Nick J. Randall, II
Ranking Member
House Transportation and Infrastructure
Committee
2163 Rayburn House Office Building
Washington, D. C. 20515

Dear Chairman Mica and Ranking Member Rahall:

On behalf of Kern Council of Governments, thank you for holding a hearing on California's High-Speed Rail project. In advance of the hearing, I want to express Kern Council of Government's support for efforts to continue on the project and the potential to bring High-Speed Rail service to Bakersfield and the Kern region.

Kern Council of Governments has actively participated in local high-speed rail planning efforts and coordinated planning efforts with the State of California for over twenty years. Kern Council of Governments is coordinating local planning efforts of both the public and private sectors to ensure that all issues in the Kern Region are brought to the attention of the California High-Speed Rail Authority.

The High-Speed Rail is critically needed in our region. Ultimately, the high-speed rail service will provide a desirable option to automobile and air-travel to San Francisco and Sacramento that is fast, efficient and unaffected by weather.

Since this letter does not allow time for official Kern COG Board action, the support is based on previous Kern COG Board support and the legislative program adopted on October 21, 2010.

Thank you for your support of this project. Please let me know if you need any additional information.

Sincerely,

Ronald E. Brummett,
Executive Director

City of Visalia

425 East Oak Avenue, Suite 301, Visalia, CA 93291

Office of the Mayor

Tel: (559)713-4512 Fax: (559) 713-4800

Amy Shuklian
Mayor

Steven A. Nelsen
Vice Mayor

Gregory F. Collins
Councilmember

E. Warren Gubler
Councilmember

Bob Link
Councilmember

December 12, 2011

Representative John L. Mica
Chairman
House Transportation and Infrastructure Committee
2165 Rayburn House Office Building
Washington, D.C. 20515

Representative Nick J. Rahall, II
Ranking Member
House Transportation and Infrastructure Committee
2163 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Mica and Ranking Member Rahall:

On behalf of the Visalia City Council, thank you for holding a hearing on California's High Speed Rail project. In advance of the hearing, I want to express our support for efforts to continue on the project and the potential to bring a High Speed Rail station to the Kings County and Tulare County region.

Visalia has followed and actively participated in the High Speed Rail project since its inception. Our region actively engaged in the evaluation of alignment alternatives, and is presently pursuing a Station Planning Grant for the proposed Kings-Tulare Regional High Speed Rail Train Station at the juncture of State Highways 198 and 43, just to the west of Highway 99, a critical transportation corridor in our region. The potential regional station will serve nearly 600,000 people in Tulare and Kings counties through an existing comprehensive and efficient regional bus transit system and a potential future regional light rail system.

The High Speed Rail station is critically needed by our region. Although Tulare and Kings counties are situated in the geographical center of the State, the long driving distance to major urban centers (Los Angeles, San Francisco) combined with increased congestion on state highways contributes to the remoteness of our region. The Kings-Tulare Regional High Speed Rail Train Station will provide a convenient and feasible alternative to vehicle travel for our large, and growing, regional population and access to employment, education, business, medical, and other services available in the large metropolitan cities in our state.

Thank you for your support of this project. Please let me know if you need any additional information.

Sincerely,

Amy Shuklian

Amy Shuklian, Mayor
City of Visalia

U.S. MAYOR NEWSPAPER

U.S. Mayor Newspaper : Return to Previous Page

Case for High-Speed Rail Grows Only Stronger

Reprinted from The Sacramento Bee

By Mayors Edwin Lee, Kevin Johnson, Chuck Reed, Ashley Swearengin and Antonio Villaraigosa
June 7, 2011

Special to The Bee, Published Tuesday, June 07, 2011

The last time many Californians thought about high'speed rail was in the voting booth. On that day, Nov. 4, 2008, more than 6 million of us voted to tell the state to get going, to build high'speed rail in California.

Now, 2-1/2 years later, the second guessing is in full swing. In recent weeks some have suggested that we should put the project on hold.

We couldn't disagree more.

California will need high'speed rail in the coming years to do something about the gridlock on our roads and at our airports. Building it is a major investment, but the most recent estimates say it would cost twice as much over the next generation to build new highways and runways just to move the same number of people. With California expected to grow by 12 million people in the next 25 years, investment in the state's transportation system is inevitable, and high'speed rail is a cost-effective alternative.

In the last 2-1/2 years the case for high'speed rail has gotten stronger, not weaker. When voters approved the plan, a barrel of oil cost about $55; today the price is almost $100. Unemployment was around 8 percent back then, and it is now over 12 percent statewide and even higher in many areas. Californians need the jobs.

There are bound to be questions with any project of this size. We welcome the dialogue. Last month the Legislative Analyst's Office published a report calling for at least a temporary halt to the project. The report alluded to a number of concerns about the project:

- The amount and timing of future federal funding are unclear.
- Spending state funds on rail will mean there is less money for other things.
- We do not yet know how much private investment the system can attract, or when it will come.
- Starting construction in the Central Valley is "a gamble."

Let's take the criticisms one at a time.

First is federal funding. While we don't know precisely how much we will get in future years, we've competed well up to this point. California's project has received the largest slice of federal high'speed rail funds to date - $3.6 billion out of $10.2 billion. This is in large part due to the extensive planning already under way at the state level and the ability to leverage voter-approved Proposition 1A funds. There is no other program where California competes so well for federal funding. We will continue to encourage additional investment – both public and private – while promoting efficiencies that allow us to stretch every dollar in creating jobs and planning for the future growth of this great state.

Second is state funding. The voters said high'speed rail was a priority and authorized spending $9 billion in state funds. The state continues to experience fiscal constraint due to diminishing revenues, but because construction is ramping up slowly we will only need 2 percent of these funds in the coming year to keep the project on track. The amount approved by voters will be spent over many years, keeping the impact on our state's budget low in any given year.

Third is private funding. Our high'speed rail system is expected to make money and attract private investment - similar to systems in Europe and Asia. Twenty-two different funds have shown investment interest in financing part of the system's capital costs. Demonstrating our commitment by beginning major construction and finalizing all the approvals will minimize investor risk and net the best terms for the taxpayers.

Finally, there is the matter of where to start building. Many Southern Californians have said we should give priority to their part of the state; same in the Bay Area. We know that this system will never be a success until it connects these two population centers and does so in a way that is sensitive to local concerns. But the question of where to start does not require complicated analysis. The place to start is the place where we're ready to start, and that's the Central Valley.

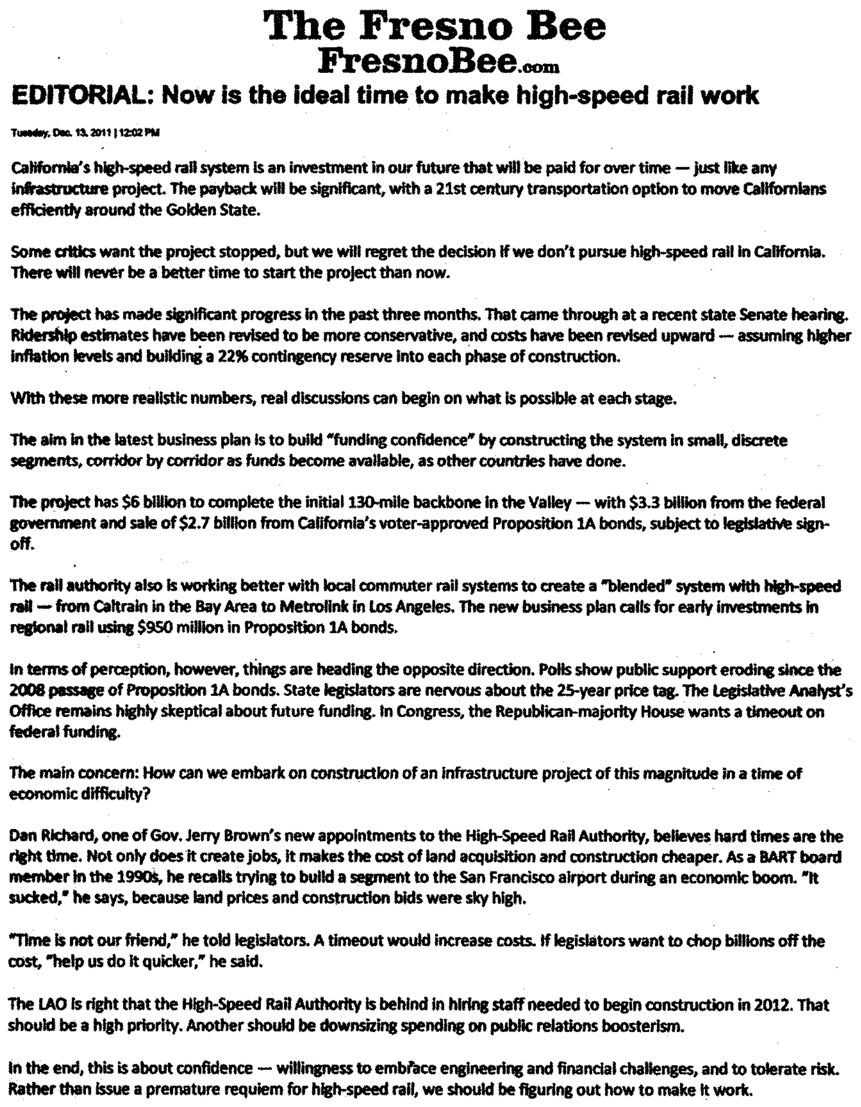
No one thinks we should build the line through the Central Valley and then stop. And we won't. There is a parallel to the building of the Interstate Highway System more than 50 years ago. When we started building the Interstate Highway System, the first segments to be completed were not in New York or Los Angeles. The interstate was born in the middle of the country, America's heartland, with the very first sections laid in Kansas and Missouri and then connected to the rest of the nation.

On the day that first segment of interstate was dedicated we did not know where all the money would come from to build a 40,000-mile network throughout the nation, and we did not know when it would be finished. However, it was because of the vision of those who were willing to initiate the effort that, today, America has the most extensive highway system in the world.

California and the United States need high'speed rail, so let's keep going.

© Copyright The Sacramento Bee. All rights reserved.

Edwin Lee is mayor of San Francisco. Kevin Johnson is mayor of Sacramento. Chuck Reed is mayor of San Jose. Ashley Swearengin is mayor of Fresno. Antonio Villaraigosa is mayor of Los Angeles.



The Fresno Bee
FresnoBee.com

EDITORIAL: Now is the ideal time to make high-speed rail work

Tuesday, Dec. 13, 2011 | 12:02 PM

California's high-speed rail system is an investment in our future that will be paid for over time — just like any infrastructure project. The payback will be significant, with a 21st century transportation option to move Californians efficiently around the Golden State.

Some critics want the project stopped, but we will regret the decision if we don't pursue high-speed rail in California. There will never be a better time to start the project than now.

The project has made significant progress in the past three months. That came through at a recent state Senate hearing. Ridership estimates have been revised to be more conservative, and costs have been revised upward — assuming higher inflation levels and building a 22% contingency reserve into each phase of construction.

With these more realistic numbers, real discussions can begin on what is possible at each stage.

The aim in the latest business plan is to build "funding confidence" by constructing the system in small, discrete segments, corridor by corridor as funds become available, as other countries have done.

The project has $6 billion to complete the initial 130-mile backbone in the Valley — with $3.3 billion from the federal government and sale of $2.7 billion from California's voter-approved Proposition 1A bonds, subject to legislative sign-off.

The rail authority also is working better with local commuter rail systems to create a "blended" system with high-speed rail — from Caltrain in the Bay Area to Metrolink in Los Angeles. The new business plan calls for early investments in regional rail using $950 million in Proposition 1A bonds.

In terms of perception, however, things are heading the opposite direction. Polls show public support eroding since the 2008 passage of Proposition 1A bonds. State legislators are nervous about the 25-year price tag. The Legislative Analyst's Office remains highly skeptical about future funding. In Congress, the Republican-majority House wants a timeout on federal funding.

The main concern: How can we embark on construction of an infrastructure project of this magnitude in a time of economic difficulty?

Dan Richard, one of Gov. Jerry Brown's new appointments to the High-Speed Rail Authority, believes hard times are the right time. Not only does it create jobs, it makes the cost of land acquisition and construction cheaper. As a BART board member in the 1990s, he recalls trying to build a segment to the San Francisco airport during an economic boom. "It sucked," he says, because land prices and construction bids were sky high.

"Time is not our friend," he told legislators. A timeout would increase costs. If legislators want to chop billions off the cost, "help us do it quicker," he said.

The LAO is right that the High-Speed Rail Authority is behind in hiring staff needed to begin construction in 2012. That should be a high priority. Another should be downsizing spending on public relations boosterism.

In the end, this is about confidence — willingness to embrace engineering and financial challenges, and to tolerate risk. Rather than issue a premature requiem for high-speed rail, we should be figuring out how to make it work.

CCHSRA
CITIZENS FOR CALIFORNIA HIGH SPEED RAIL ACCOUNTABILITY

December 8, 2011

Congressman John Mica
Chairman of the House Transportation & Infrastructure Committee
2187 Rayburn House Office Building
Washington, DC 20515

Subject: Central Valley Concerns / Opposition to the California High Speed Rail

Dear Chairman Mica,

The Citizens for California High Speed Rail Accountability (CCHSRA) would like to thank you for the opportunity to discuss the California High-Speed Rail (HSR) Project on a national platform. CCHSRA is a grassroots, non-profit organization of members mainly located in Kings County and representing 500+ parcels of land impacted by the California HSR Project. Members are interested in ensuring that the proposed HSR project does not harm, either fiscally or environmentally, the communities located in the Central Valley. Members of CCHSRA have been actively involved in this project for approximately two years; however the organization has only taken shape as of July 2011 in response to the poor treatment of landowners in Kings County by the California High Speed Rail Authority (Authority).

Our interaction with the Authority has been marred by the Authority's failure to convey critical and accurate information, failure to address comments and concerns, failure to allow public comments and a basic mistreatment of the public process to fully vet the project impacts and solutions. As you may have been reading in recent news articles coming from California, the Authority is currently being asked very difficult questions by the California Legislature to ensure that any California funds expended on the HSR project are justified. This conversation however is not one that the Authority is winning any support and in many cases is losing support from the public and the legislature. A recent poll conducted by the Field Research Corporation in San Francisco found that 64% of those surveyed wanted another public vote and that 59% of respondents would vote against the project. This is consistent with another recent poll taken by Probolsky Research, a polling firm based in Newport Beach that specializes in politics and government affairs, that found that 62.4% of voters in California would reject the HSR project. As you may also be aware, the original passage of legislation which committed $9.95 billion in general obligation bonds for HSR passed narrowly with 52.7% of voting public in favor of the obligation of funds. This lack of public interest is really a lack of trust that the Authority and its cadre of consultants (700 consultants) cannot be trusted to execute this project effectively or efficiently.

CCHSRA would also like to emphasize that the Central Valley of California is not 100% supportive of this project. At the time of Proposition 1A the Central Valley voted against this measure with only a few counties voting in favor of the project. CCHSRA was able to watch your recent hearing entitled "The Federal Railroad Administration's High Speed Intercity Passenger Rail Program: Mistakes and Lessons Learned" where we observed that Secretary of Transportation Ray LaHood emphatically announced that the proposed first construction phase in the Central Valley is what California wants. This is somewhat contrary to what we are being told here in California by the Authority when they indicate that the Federal Railroad Administration (FRA) has insisted that the first construction section be located in the Central Valley and there is not flexibility to change this initial construction phase. We find ourselves wondering who is right, or who is telling the truth. Our local California Assemblyman, David Valadao has done a polling of his constituents with mailers and has found that only approximately 95% of his respondents do not believe HSR should be pursued. As residents saddled with the immanent loss of our home, some of which have been occupied by several generations of one family for over 100 years, we find that the Authority and the FRA continue to provide less than credible information and numbers to justify the California HSR Project.

The Authority has recently released its third attempt at a business plan. Under Proposition 1A the Authority was required to deliver a investment grade business plan in 2008, however through a manipulation of the California legislature, the Authority was allowed to produce three business plans, and the most recent 2012 Draft Business Plan was delivered on November 1, 2011. CCHSRA would like to bring to your attention the following key issues with the Calfornia HSR Project and the 2012 Draft Business Plan:

✓ The Initial Construction Section (ICS), which is the section for which funding (approximately $3.3 billion in federal grants and $2.7 billion in requested issuance of state general obligation bonds) is proposed from Borden (north of Fresno) to Corcoran (south of Hanford) does not include electrification facilities, high-speed trainsets or high-speed rail service. Under Proposition 1A (AB 3034), which is the legislation passed in 2008 authorizing $9 billion in general obligation bonds to construct a high-speed rail system, the Authority could request funds for a "Usable Segment". A usable segment is one in which high-speed rail service can be offered, and as proposed by the Business Plan the ICS will not have high-speed rail service and is therefore unable to access California general obligation funds. The objective of the Authority is clear: spend $6 billion on tracks and a chain link fence, no high-speed rail service and the rest is unclear and undetermined. The continued funding of an agency and project that has not created a plant to meet the objective of high-speed rail should be stopped.

✓ Each funding source identified by the Business Plan is not analyzed for its potential for receiving funding. The Authority also does not provide any analysis of funding sources if one or all of the potential sources do not become a reality. For example, the Authority has been publically advertising that the private sector is waiting to invest; however in the Business Plan they indicate that it will come when the revenues begin under the Initial operating section (IOS), which is $24-$30 billion beyond the ICS as proposed. Given the public has yet to see any documentation from a private investor, nor even a mention of a public investor, realistically the revenue may not be there at the outlined time. If the private investment is not received, which is approximately $11 billion, the Authority provides no analysis or plan to replace this source of funding. Under the ARRA Grant contract issued by the FRA, the Authority must provide a financial plan that provides ***identified and committed*** sources of funding to construct a ***usable high-speed section*** of rail. From the plan provided, this requirement is not met, therefore violating the conditions of ARRA funding.

- ✓ Ridership forecasts are still problematic in the Business Plan. The Authority has indicated that assumptions have been changed and the model is now forecasting realistic values. A further investigation into the assumptions changed, indicates that the population numbers for the State of California and a few minor adjustments were made. The overall routing and internal functions of the model were still kept the same. Therefore, the numbers that are being reported are still suspect, as indicated by the 14,000 daily riders forecasted to leave the Merced station. This figure is totally without reference to reality. The model for forecasting is broken, therefore reporting numbers favorable to a high revenue HSR system.
- ✓ The project currently being promoted by the Authority has been designed to a 15% engineering standard for the Central Valley portion of the project (Merced to Bakersfield). From the inception of this project to the 15% plan phase the cost has risen from $33 billion to $117.6 billion. It can be anticipated that the costs could rise significantly more as the Authority transitions into more detailed plans. Congress and your Committee should be informed that the Authority has yet to contact landowners to discuss impacts. When asked recently for a list of homes in Bakersfield and Kings County impacted by the alignment, the Authority was unable to produce such a list, indicating that they have not and will not contact landowners who are impacted until the time of acquisition. Only at this juncture will the Authority know the full cost impact of acquiring property. A question that all citizens should ask themselves is***: Is this Business Plan and the practices of the Authority indicative of a project worthy of sacrificing personal property rights, dreams, businesses and families? The answer that Kings County and CCHSRA has resoundingly echoed is NO.***
- ✓ The Authority has also not completed any environmental reviews for any of the Central Valley portions of track. The Merced to Fresno Draft Environmental Impact Report / Environmental Impact Statement (DEIR/DEIS) is currently being prepared for approval and the Fresno to Bakersfield DEIR/DIES is currently being revised due to federal comments that were provided. These documents have been reviewed by CCHSRA and many other groups and consultants. The general impression of the documents is that they were significantly deficient and in no position to be accepted as legal documents. A programmatic level EIR/EIS for the proposed section in the Bay Area has been litigation for over 2 years and has recently been deemed incomplete by a California judge, requiring the Authority to redo the document and release it for public review. The Authority is rushing to qualify this project as "shovel ready" and in the process they are making significant errors and ignoring sound practices in transparent and honest project management.

Many in California see this as a progressive movement; however we are also seeing a regression back to the late 1800's when the Southern Pacific Railroad Company served as a tyrant amongst the early settlers in California (Mussel Slough Tragedy). Although we can define high-speed rail as a progressive movement, the execution of this project by the Authority is on the verge of setting precedence for wasteful spending at the cost of private landowner's rights. The burden of providing the necessary information and justification to take property rights falls on the Authority, however it is the California Legislature and our National Congress that has the responsibility of ensuring that our limited funds are spent on the most urgent needs in an effective and efficient manner. The Authority has failed to provide the necessary evidence to acquire property and treated landowners with utter disrespect; therefore CCHSRA believes that all funding for the Authority and its consultants should be ceased.

CCHSRA strongly urges the House Transportation & Infrastructure Committee to quickly remove funding from the California High-Speed Rail Project and redirect this funding to high-speed corridors that are currently in a "shovel ready" status, such as the Northeast Corridor. An investment in the California HSR Project or the Authority will be an investment in a system that is not truly high-speed rail and will be mismanaged by the Authority and its consultants.

Please contact Aaron Fukuda at (559) 707-8928 or via email at afukuda77@gmail.com if you have any questions or comments. You can also find more information about our organization and our work at www.cchsra.org or email the group at cchsraorg@gmail.com.

Sincerely,

Aaron Fukuda

Aaron Fukuda
Co-Chairman CCHSRA

International Union of Operating Engineers
AFFILIATED WITH THE AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

December 20, 2011

The Honorable John L. Mica
2187 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Nick J. Rahall II
2307 Rayburn House Office Building
Washington, D.C. 20515

RE: Hearing on "California's High-Speed Rail Plan: Skyrocketing Costs and Project Concerns"

Dear Chairman Mica and Ranking Member Rahall:

The International Union of Operating Engineers – a trade union that represents approximately 400,000 skilled men and women, most of whom work in the construction sector – submits the following comments regarding the Transportation and Infrastructure Committee's hearing on "California's High-Speed Rail Plan: Skyrocketing Costs and Project Concerns."

The International Union of Operating Engineers (IUOE) supports the continued federal investment in High-Speed Rail (HSR). HSR is an appropriate transportation technology for the 21st century, which can leverage private resources, as well as state and local government funding, to complement a robust federal investment in the nation's rail network. Furthermore, given the American Recovery and Reinvestment Act funds already committed to the project and the state's ability and willingness to match those funds with bond monies, the IUOE fully supports California's efforts to build high-speed rail. California is currently on a path to the development and implementation of HSR, with the state poised to begin construction in the last quarter of 2012. It is time to move forward on the years-long planning that has been conducted to execute this project.

With the state's population expected to grow beyond 50 million people by 2035, California faced critical choices regarding its transportation system. Developing a high-speed rail system that connects the San Francisco Bay Area and Southern California population centers would cost about half of what it would take to provide the same capacity by expanding freeways and airports. The California High Speed Rail Authority's recently released draft Business Plan indicates that by 2050, in order to provide the same capacity delivered with the Phase 1 high-speed rail system, the Golden State would need an additional 2,300 lane-miles of highways, four more runways, and an additional 115 airline gates at a cost of about $170 billion. That option is far more expensive than the HSR alternative.

VINCENT J. GIBLIN
GENERAL PRESIDENT

JAMES T. CALLAHAN
GENERAL SECRETARY-TREASURER

GENERAL VICE PRESIDENTS
WILLIAM C. WAGGONER
BRIAN E. HICKEY
JOHN M. HAMILTON
PATRICK L. SINK
JERRY KALMAR
RUSSELL E. BURNS
RODGER KAMINSKA
MARK HOLLIDAY
JAMES M. SWEENEY
ROBERT T. HEENAN
DANIEL J. MCGRAW
DAREN KONOPASKI
MICHAEL GALLAGHER
GREG LALEVEE

TRUSTEES
JOHN M. HOLLIDAY III
CHAIRMAN
JOHN T. AHERN
KUBA J. BROWN
TERRANCE E. MCGOWAN
BRUCE MOFFATT

GENERAL COUNSEL
RICHARD GRIFFIN

1125 SEVENTEENTH STREET, NW • WASHINGTON, DC 20036-4707 • 202-429-9100 • WWW.IUOE.ORG

Of paramount importance to members of the Operating Engineers is job creation. Construction of just the initial Central Valley section is expected to generate 100,000 direct and indirect jobs over five years, an average of 20,000 jobs annually. Thousands of those jobs will be Operating Engineers who run heavy equipment. Direct and indirect jobs to build all of Phase 1 are estimated at 1.2 million to 1.4 million over 20 years, an average of approximately 65,000 jobs annually. Additionally, the Phase 1 system will generate 4,500 permanent operations and maintenance jobs.

The new business plan, built on conservative, risk-averse assumptions, introduces a "building block" approach to implementing the project, while connecting the state's major population centers with high-speed trains. The project will be built incrementally as additional funding becomes available. Each step represents a critical decision point about whether to continue moving the project forward and each completed segment can be operated independently, even before the full statewide system is in place. Funds necessary to begin the initial segment have been identified, including $3.3 billion in federal funding and $2.7 billion in state bond funding. The plan assumes no additional federal resources before 2014.

In addition to state bond revenues and federal funding, much of the necessary project financing will come from private investors. The business plan conservatively estimates that $11-billion in private investments will be activated by the leadership of federal and state governments. Major international high-speed operators, such as Siemens, SNCF and Talgo, responded to the state's Request for Expressions of Interest. Thousands of private companies showed up at a HSR event on private investment in California. According to the U.S. High Speed Rail Association, "A number of investors have already expressed interest in building the second phase – the two end pieces..." It is clear that private companies want to invest in California HSR. But they need both the state and federal governments' commitment.

The IUOE strongly supports federal funding for California's high-speed rail. Thank you for the opportunity to submit written testimony for the record.

Sincerely,

James T. Callahan
General President-Elect

JS:cn